



European Social Fund

50 years investing in people



European Commission

EUROPEAN SOCIAL FUND

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FOREWORD

For more than half a century now, the European Commission has been working in partnership with the Member States to give people the opportunity to improve their job prospects. Since the European Social Fund was set up in 1957, it has helped millions of people, not only in agriculture and industry but also in the services sector where the bulk of jobs now lie.



*Vladimír Špidla
Commissioner for Employment,
Social Affairs and Equal Opportunities*

The Fund has become a permanent fixture in the European Union's Employment Strategy, growing in size over the years from some 1% of the total Community budget in 1970 to 10% today. It has more than stood the test of time, showing a capacity to adapt to changing social and employment conditions and often even to be ahead of them.

Today, the European Social Fund enables Member States to implement active labour market policies that benefit people from all walks of life. The Fund helps people retrain for new jobs or assists them in finding jobs for the first time. It also looks out for the more vulnerable in society who may be socially excluded or at risk of being so, providing them with opportunities to find or get back into work.

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Having a job can make a crucial difference to life satisfaction. This is true for both men and women. One of the success stories of the European Social Fund has been that of helping women to find their first job or get back into work after a career break and achieve an equal status with men in the workplace. Back in 1970, a little less than a third of those employed were women. Today, women are close to half of the employed.

The European Union is facing a series of challenges that range from globalisation to new technologies, from an ageing population to research and innovation. To tackle these requires a highly skilled labour force, and the European Social Fund is the key to this.

The Fund is all about people and helping them adapt to the new demands of a changing labour market. Everyone must have the opportunity to contribute to a prosperous European Union: women and men, young and old,

people of different origins and ethnic groups, disabled people and other disadvantaged groups.

The European Commission will continue to work in partnership with the Member States to ensure growth and jobs for the whole of the EU and will maintain the European Social Fund as a fund that invests in people. It is my pleasure to present to you this history of 50 years of investing in people; I hope it will be an inspiration for the Fund's continued success.

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POST-WAR EUROPE

A changing Europe

REBUILDING EUROPE AFTER THE SECOND WORLD WAR

Following the calamitous loss of human life that Europe suffered during the Second World War, the continent headed towards reconstruction and recovery. In 1951, six years after the war had ended, six countries (France, West Germany, Italy, Belgium, the Netherlands and Luxembourg) signed the Treaty of Paris to create the European Coal and Steel Community (ECSC) to ensure that coal and steel, key military raw materials, were managed collectively. The overriding aim was to prevent war breaking out on the continent once more.

THE DAWN OF THE EUROPEAN SOCIAL FUND

In the years after the war, Europe received aid from the United States in the form of the Marshall Plan for a European Recovery Programme to rebuild its infrastructure, as well as for education and training. The coal and steel industries posed particular challenges as following the war they had to be downsized. One outcome of the ECSC Treaty was a fund to help workers in the coal and steel industries gain a range of job skills to keep apace with industrial modernisation or conversion to new kinds of production or, failing that, to enable them to seek work in other industries or geographical locations. This fund, known as the ECSC Fund for the Retraining and Resettlement of Workers, was the forerunner of the European Social Fund (ESF).

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In 1957, the Treaty of Rome established the European Economic Community (EEC), and with it the ESF. The ESF was an integral part of the European vision from the very beginning, established to improve job opportunities in the Community by promoting employment and increasing the geographical and occupational mobility of workers. The Commission was to manage the ESF, assisted by the ESF Committee. The Committee consisted, and still consists, of representatives of governments, trade unions and employers in equal numbers.

In its early stages, the ESF was used as a means to 'compensate' for job losses. It helped workers in sectors that were modernising or converting to new kinds of production by providing them with short-term retraining allowances. It also made available resettlement help for those out of work

who left their region to seek jobs elsewhere. The ESF could be used more widely than the European Coal and Steel Community Fund as it covered all sectors except agriculture.

TACKLING MIGRATION AND UNEMPLOYMENT

Throughout the 1950s and 1960s, levels of employment in the European Economic Community were so high that unemployment was regarded as exceptional. Unemployment was put down to young people making the transition from school to working life or to workers having brief periods of unemployment after which, following retraining that the ESF could assist with, they would rejoin the labour market. In 1957 there were 70 million employed with only 2.6 million unemployed which meant an unemployment rate of just over 3.5%.

The main exception was Italy, which accounted for nearly two-thirds of the EEC's jobless with almost 1.7 million people out of work. Italian workers from the much poorer and agriculture-based south of the country, where unemployment was endemic, were therefore migrating to find jobs, either in the industrialising north of the country or further afield. Between 1955 and 1971, as many as 9 million workers left southern Italy. Similarly, and although not then a Member State of the EEC, over a million Spaniards from Andalucía, in southern Spain, moved north to the industrial engine of the country, Catalonia, between 1950 and 1970.

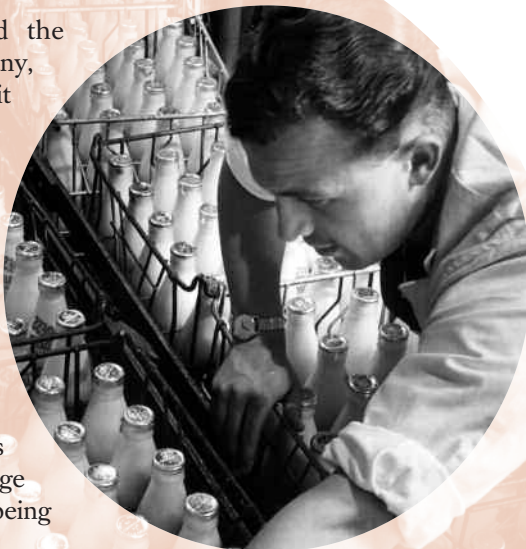
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Many Italians went to Belgium following a 1946 governmental agreement, under which they worked in the mines of Wallonia in exchange for Belgium pledging to supply coal to Italy. As a consequence, Italians were the major beneficiaries of the European Social Fund for retraining and resettlement grants in its early stages.

Another country which used the Fund regularly was West Germany, which concentrated on using it to retrain people who had suffered accidents at work.

In its early years, the Fund was used by EEC governments to deal with problems at a national level. Applications were automatically accepted by the Commission. Since there was no overarching European strategy, resources were spread across a wide range of ad-hoc projects rather than being used strategically.



However, the Fund provided an early example of a Community-funding rule which still applies today: EEC funding had to be matched with national funding. Once funding was approved, it was channelled into government-run retraining and resettlement projects operated by the public sector. At this time, private companies did not participate in the ESF.

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The impact of the Fund was felt immediately, with some estimates indicating that it helped 1 million workers get back to work between 1960 and 1973. Europe's economy was thriving at the time, stimulated by reconstruction and boosted by cheap oil.

GROWING OUT OF ITS CLOTHES — TAILORING A NEW ESF SUIT

The number of applications grew rapidly and the Fund became a victim of its own success. Soon there was no longer enough money; funds had to be allocated and used more efficiently.

The 1950s and early 1960s had been periods of high employment, but in the late 1960s there was a growing concern over whether there really were jobs for everyone. In 1969, EEC governments meeting at The Hague conference referred to the need to reform the Fund as part of efforts to bring into line their respective social policies. They were preparing the ground for the first reform of the ESF in 1971.





THE 1970s
Facing financial challenges



The 1970s (particularly with the 1973 oil crisis) saw a slow-down in the European economy and marked the end of what is sometimes referred to as the Golden Age of economic growth in Europe. When oil prices soared in 1973 after the Organization of Arab Petroleum Exporting Countries (OAPEC) stopped shipping oil to countries that supported Israel in its war with Egypt and Syria, all parts of the economy were affected, including employment. The 1979 energy crisis made things even worse.

POORER REGIONS RECEIVE A HELPING HAND

The first reform of the European Social Fund, in 1971, sought to target the funding towards particular groups and categories of people. It also added more money to the pot with the budget for the new Fund in 1972 and 1973 exceeding the total for the previous 12 years.

In 1973, the United Kingdom, Denmark and Ireland joined the EEC, marking its first enlargement from six to nine Member States. As the EEC prepared itself for this extension, leaders of the nine countries met in Paris in October 1972 and agreed on the need to deal with regional and structural imbalances in economic development. Three years later, in 1975, the European Regional Development Fund (ERDF) was born. Its mandate was to support regions in difficulties arising from restructuring or from industrial change. The idea was for the two funds to work hand in hand, with the ESF concentrating on helping people throughout Europe to gain new skills, and the ERDF focusing on developing the infrastructure of regions that were lagging behind. The two funds were collectively referred to as 'Structural Funds'.

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TACKLING THE NEEDS OF SPECIFIC GROUPS

The 1970s saw the ESF open up to a wider selection of employees. Since agriculture was changing, farmers and farm workers leaving agriculture needed support; they became eligible in 1972. Similarly in the textile sector, early global trade patterns turned the sector from labour-intensive into capital-intensive. Textile workers needed to learn new skills whether

they wanted to stay in the industry or move to another job. The ESF was consequently opened up to the clothing industry in 1975.

The ESF had already provided resettlement support for migrants in earlier decades, but in the 1970s this was extended to help people with the practical problems they faced when finding work in another EEC country. Workers were helped with the cost of learning the local language and given advice to help them and their families adapt to their new living and working conditions. The ESF was also extended to support preparatory studies and innovative pilot schemes to test new ideas and practices.

Youth unemployment rose steadily in the 1970s. Towards the end of the decade, the ESF received progressively increasing amounts of applications to help young people with low levels of qualifications. Eligible applications amounted to over five times the available budget. The ESF reacted quickly, and concentrated its support for young people on recruitment and employment. Recruitment aid was to help young people gain useful experience with a vocational content or make it easier for them to find a stable job.

By 1977, the Commission noted that youth unemployment had more than doubled over four years, with around 2 million unemployed people aged less than 25 in the European Community. Having a vocational qualification or holding a university degree became more and more important when looking for a job. Young people without these qualifications, or with qualifications that did not meet the needs of the labour market, found it increasingly difficult to find jobs. Unemployed young people thus became a priority group for the ESF.

At around this time the place of women in the labour market was increasingly being taken into account by the ESF. Responding to the growing role of women in the workplace, the ESF gave greater support to women, whether they had lost their job, were joining the labour market for the first time or returning to work after a break. Other specific social groups, such as the disabled and older workers (aged 50 and over), were also beginning to be targeted by the Fund.



HEADING TOWARDS A COMMON EUROPEAN COMMUNITY STRATEGY

As the ESF was developing a more tailored approach for different target groups, it became clear that it could no longer work solely with public organisations; it had to involve employers and trade unions and indeed individual companies. This effectively amounted to a form of public/private partnership, but it led to another major change in the way the Fund worked.

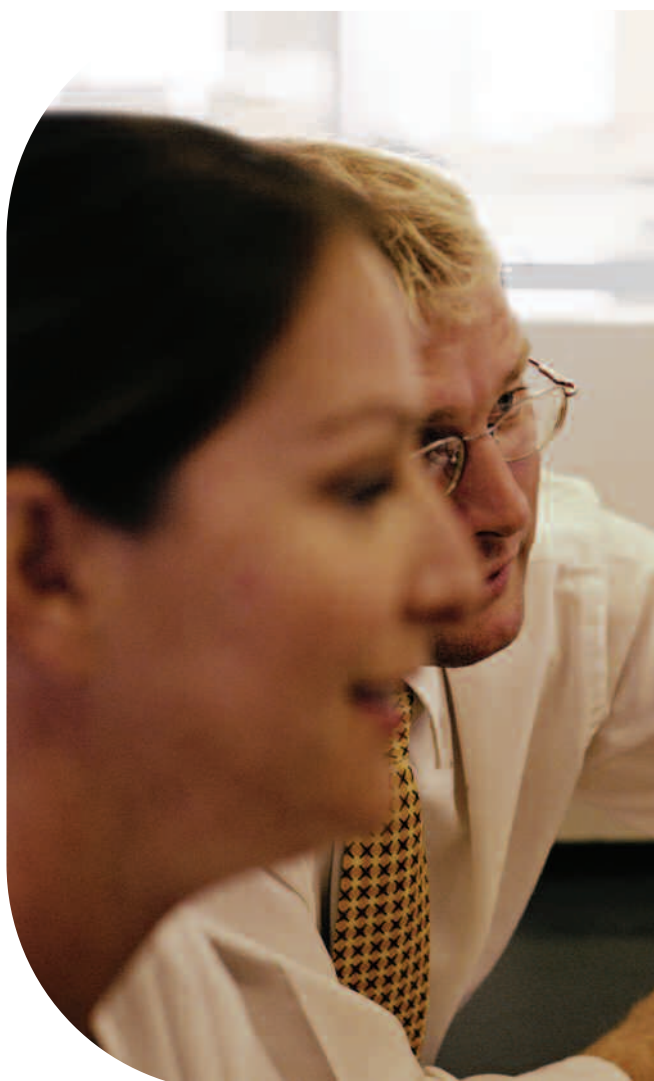
Until then, Member States had implemented projects and been re-funded afterwards. Now that access to the Fund was wider, a system of prior approval had to be put in place. This led to significant changes: most importantly, it was the beginning of a process in which the Commission and Member States would, in the future, define common priorities across the EEC and allocate concentrated amounts of funding to deal with them. In other words, a structured approach was emerging as to how to optimise use of the money, and make ESF-refunded interventions as efficient as possible.

But this was not the only change. With the new system of prior approval and a more structured approach came also more checks to ensure that ESF funding was spent properly. This increased the complexity around procedures for Member States and organisations working with ESF-funding, as well as for the Commission. It also brought with it an apparently inevitable increase in paperwork.





THE 1980s
**A decade of market changes
and new needs**



The 1980s was a time of major change for European economies. The beginning of the decade was marked by a new financial downturn as a result of the 1979 energy crisis, though less severe than the one at the beginning of the 1970s. European leaders acknowledged that closer economic and financial cooperation would put Europe in a better position to deal with such crises.

The first bricks of what would later become the monetary union had already been laid in 1979. This was when the ECU, the forerunner of the euro, was introduced. It served as a virtual currency against which national currencies were pegged, thereby limiting the volatility of currency movements.

In 1981, Greece joined the European Community, followed in 1986 by Spain and Portugal. One year later, in 1987, progress towards a single European market speeded up as the Single European Act came into force. The 12 members of the Community were heading towards more unified financial policies and markets.

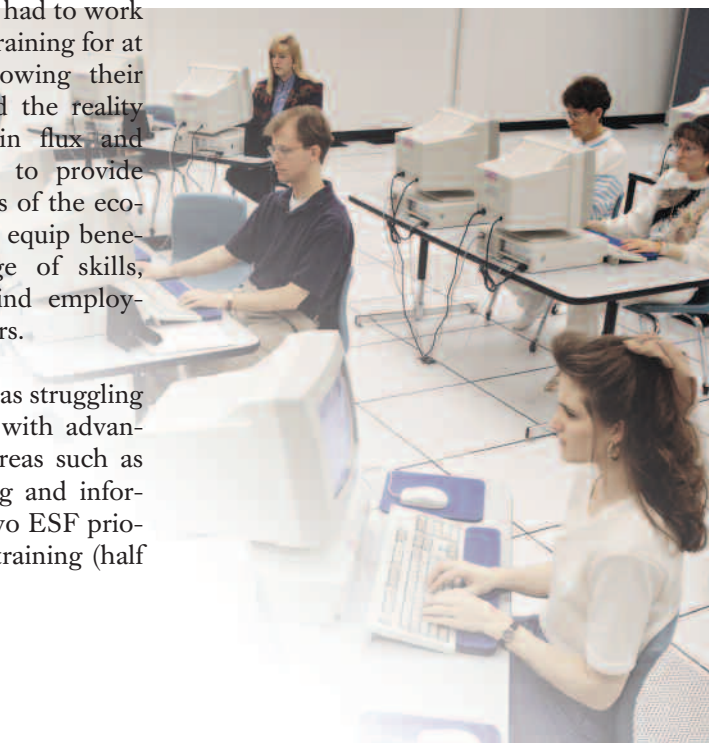
European industries were changing too - the 1980s began the transition period from industrial to information age. Traditional industries such as steel, manufacturing and shipbuilding were in decline and opportunities arising from new technologies, especially in the services sector, were beginning to emerge, resulting in a high demand for skilled workers.

Unemployment was still severe. Total unemployment in the European Community doubled from 6 million in 1979 to 12 million in 1983; youth unemployment stood at over 25% in most Member States. More seriously still, long-term unemployment (lasting a year or more) became increasingly common.

IT TRAINING – THE ESF MEETING THE DEMANDS OF THE MARKET

For the ESF, industrial change meant an enormous challenge. A forward-looking decision was taken in the early 1980s to use the ESF for training in the newly emerging technologies. One major modification introduced in the 1983-1988 funding period removed the requirement that a retrained person had to work in a job related to his training for at least six months following their training. This reflected the reality of a labour market in flux and opened up the Fund to provide training across all areas of the economy. The aim was to equip beneficiaries with a range of skills, making it easier to find employment in different sectors.

At the time, industry was struggling to find young people with advanced qualifications in areas such as electronics, engineering and information technology. Two ESF priorities were vocational training (half

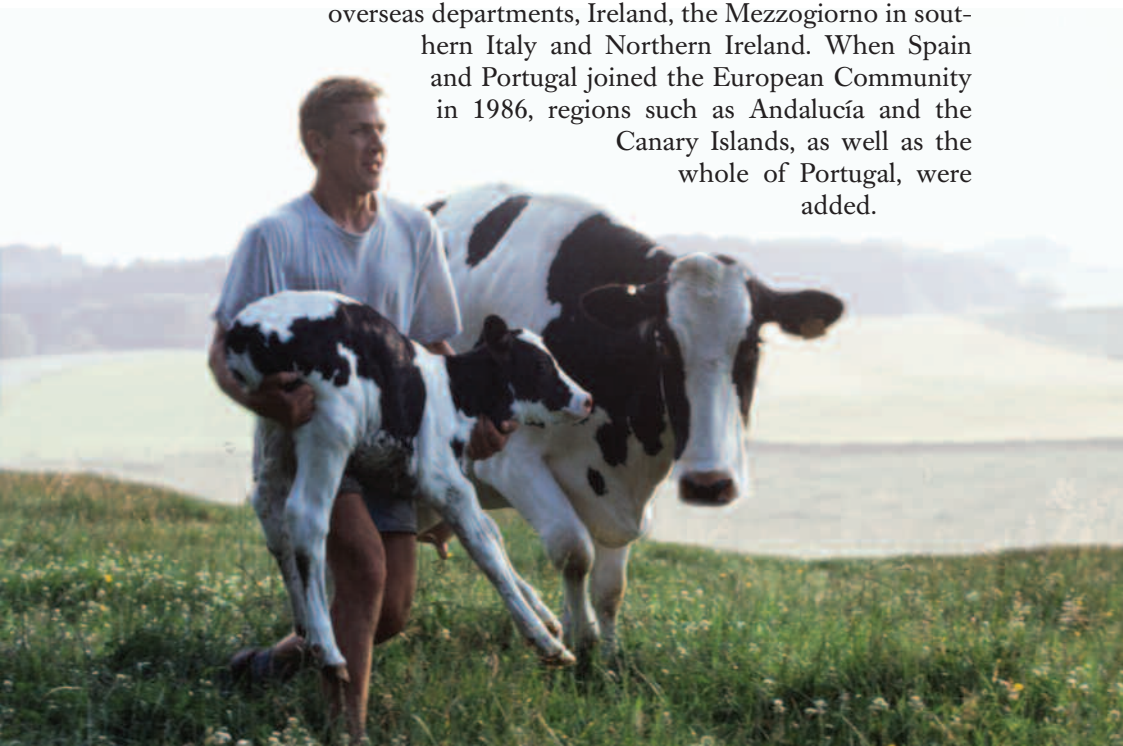


of which was on-the-job work experience) and courses that trained people in the use of new technologies. New technologies would soon be part of everyday life in the workplace and the ESF tackled this need early on.

HELPING POORER REGIONS CATCH UP WITH THE WEALTHIER ONES

In the three new Member States of the 1980s (Greece, Portugal and Spain) agriculture was still the dominant sector, and per capita income was considerably lower than the EC average. In 1983, it was decided that funding from the ESF should be channelled towards particularly needy regions. This led to increased applications for funds, and in 1988 the ESF was reformed so that it could better assist the regions lagging furthest behind (thus reducing the imbalances between rich and poor) and meet the increased number of applications.

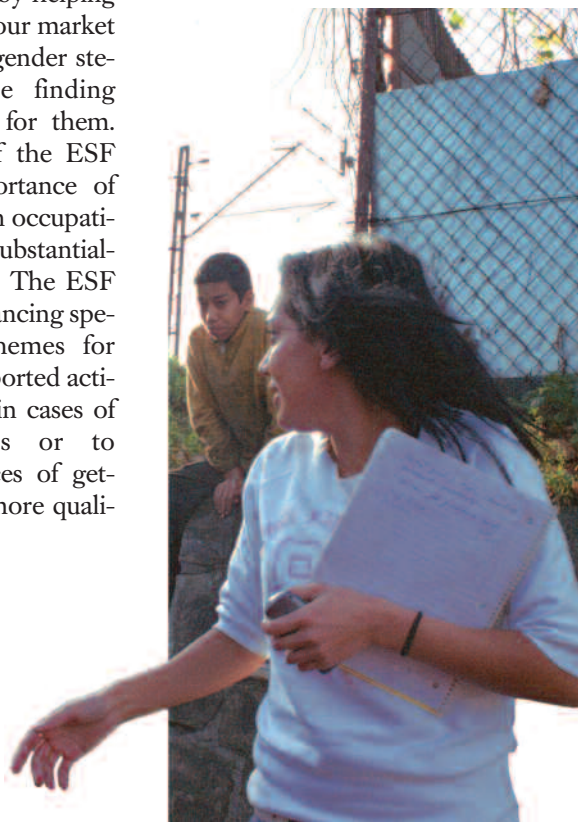
More than half of the ESF funding went to schemes that boosted employment in poorer regions and countries such as Greece, the French overseas departments, Ireland, the Mezzogiorno in southern Italy and Northern Ireland. When Spain and Portugal joined the European Community in 1986, regions such as Andalucía and the Canary Islands, as well as the whole of Portugal, were added.



YOUTH UNEMPLOYMENT AND WOMEN IN THE LABOUR MARKET – TOP OF THE ESF AGENDA

By the end of the 1970s, youth unemployment had become a growing cause for concern. As Europe took further steps towards closer integration in the 1980s, youth unemployment remained a persistent problem. The need for more highly skilled labour put a higher demand on further training and the ESF responded to this. The funding was targeted at young people with poor job prospects due to a lack of vocational training or inadequate training, as well as to the long-term unemployed. It was also extended to include early school-leavers, since a large number of young people were dropping out of school prematurely or leaving without any qualifications.

The reinforcement in the 1970s of the existing legal framework for equality (laid down in the Treaty of Rome) was showing results. The ESF played a central role not only by helping women enter the labour market but also by tackling gender stereotypes that made finding work more difficult for them. The 1988 reform of the ESF underlined the importance of integrating 'women in occupations where they are substantially underrepresented'. The ESF backed this up by financing specialised training schemes for such jobs. It also supported actions to help women in cases of major redundancies or to improve their chances of getting and securing a more qualified job.



THE SINGLE MARKET IS BORN — AND THE ESF REFORMED SUBSTANTIALLY

On the way to completing the single market in the 1990s, the ESF played an important role in ensuring that all citizens and regions of the Community could benefit from the success of the internal market as it developed. The creation of the single market gave life to the free movement of goods, services, people and money.

The Fund had grown in size considerably; but so had the administrative work that came with it. The Fund received thousands of individual applications in all Community languages, and it proved very difficult to select the best projects. For each ESF project, Member States had to make an application to the Commission; the Commission then had to assess every single application and approve successful applications. This made the ESF increasingly cumbersome to handle, for both the Member States and the Commission.



The growing size and importance of the ESF meant that a reform was needed, with a more cooperative and collaborative relationship between Member States and the Commission. This change would need to reflect the fact that the European Community funds contributed to policies that were largely defined in the national contexts of the Member States.

This key ESF reform was launched in 1988. The overall idea was to programme the Fund on a more long-term basis so that it could be more effectively applied. The reform was a move from (individual) projects pursued in a national context to a programmed multi-annual effort on a basis agreed in part-

nership between Member States and the Commission. Initiatives towards this longer term planning for the ESF and Member States' employment policies as a whole were given a considerable boost by the 1988 decision that the Community should move from an annual budget to a medium-term budgetary perspective (1988/1989-93). This meant that the Commission and Member States could be sure that the funds would be available over the full period, and that multi-annual programmes could be launched securely.

Member States and the Commission would together coordinate and plan ahead for the spending of the ESF. Member States agreed to exchange employment data and strategies, so that the ESF could be better integrated into the Member States' labour-market policies. As an outcome of the reform, the ESF would move closer to the needs of regions and Member States.

With the reform the ESF was to concentrate its efforts more on the most needy, be they regions or groups of the population. The reform also reinforced the principle that Community funding came in addition to national actions. Last but not least, the ESF gained more financial weight.

At this point it is important to note the sheer scale of the ESF in supporting Member States' employment structures. Overall, more than 2 million people per year were estimated to have gained vocational qualifications or jobs with the help of the Fund.

As Europe was entering the last decade of the millennium, society – and its ambitions – changed considerably. Industrial production was in decline and the service sector rising. The European Community had started on a journey towards an effective internal market and the first shoots of what would become known as globalisation were beginning to be seen. The ESF played a significant role in helping to cushion the negative effects for individuals and helping them adapt to the changing world.



THE 1990s
Europe facing up
to globalisation





The 1990s were marked by the rapid advance of globalisation following the end of the Cold War. The fall of the Berlin Wall in 1989, the unification of Germany and the collapse of communism also meant major changes for Europe. Further major developments at European level were the completion of the single market in 1992, the Treaties of Maastricht and Amsterdam, and the enlargement of the Community to 15 Member States with the accession of Austria, Finland and Sweden. The EU also started membership negotiations with the countries of Central and Eastern Europe as well as Malta and Cyprus.

Economic recession marked the 1990s, especially at the beginning of the decade; the stock markets had collapsed in 1987, oil prices were on the rise due to the Gulf War (1990-1991), and German reunification proved unexpectedly costly. The unemployment rate stood at around 10%. In 1994, 18.7 million people were without a job, many of them young people.

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The concept of 'jobless growth' – economic growth but with high levels of unemployment – took hold and became a growing concern for Member States.

The technology developments of the 1980s continued as personal computers began to find their way into workplaces and homes. Growth in the use of the Internet and the subsequent dot-com boom from 1995 onwards not only revolutionised modern culture, but also served as a major medium for globalisation.



FROM GLOBAL APPROACH TO JOINT STRATEGY

Responding to the growing levels of unemployment, EU governments agreed to an Employment Strategy in 1994, which was designed to improve the competitiveness of the European economy. The work developed towards a joint approach for employment and in 1997, with the approval of the Treaty of Amsterdam, Member States agreed on a framework for employment guidelines and a joint strategy. The first set of guidelines defined measures to make sure that as many people as possible were in a position to get a job, to increase female employment rates, to improve the number of childcare facilities and to encourage entrepreneurship. Adaptability was another important focus, the aim being that people in a job would be able to adapt to new areas of work, should the need arise. For the ESF this meant shifting its emphasis from unemployment to employment.

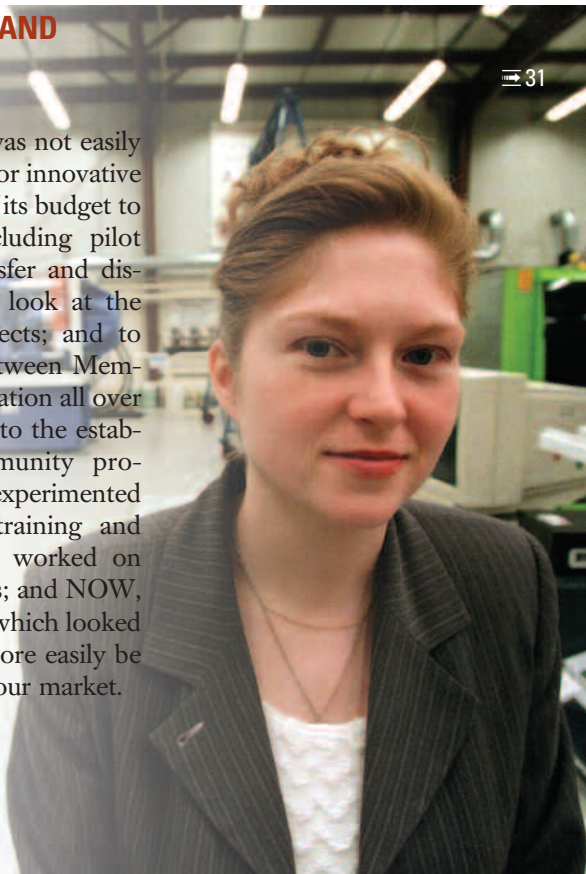
INTRODUCING EMPLOYMENT GUIDANCE AND COUNSELLING

More widespread and accessible training, better training for recognised and relevant professional qualifications, job creation plus improved employment guidance and counselling were now at the core of the Fund.

Whilst the emphasis was shifted to people in work, to helping them stay and advance in their jobs, the ESF did not forget the most vulnerable in society. The Fund continued to target training for young people, the unemployed and those excluded from the labour market. In this, social partners, non-governmental organisations, and others like charities and the voluntary sector played a particularly important role in delivering the ESF's objectives. As they are in close contact with vulnerable groups, they are best placed to reach out to them, and support them.

INTRODUCING INNOVATION AND KNOWLEDGE EXCHANGE

But the unemployment problem was not easily solved; there was a growing need for innovative solutions. The ESF set aside 5% of its budget to finance innovative schemes (including pilot actions and studies, and the transfer and dissemination of good practice); to look at the effectiveness of ESF-funded projects; and to help exchanges of experiences between Member States in order to spread innovation all over Europe. These ESF initiatives led to the establishment of three major Community programmes: EUROFORM, which experimented with new ways of vocational training and employment; HORIZON, which worked on training for people with disabilities; and NOW, (New Opportunities for Women), which looked at ways in which women could more easily be brought into, or back into, the labour market.



Building on the success of these Community Initiatives, soon a range of new programmes was being set up to target specific issues of the labour market and to further promote a pan-European, trans-national exchange of ideas and approaches. Some of the new programmes were YOUTHSTART, to help young people without qualifications get a first job; INTEGRA, helping groups such as single parents, the homeless, refugees, prisoners and ex-prisoners get secure jobs, and fighting race or other discriminations in training or employment; and ADAPT, helping people adjust to changes in business and industry, such as training in information technology.

JOINT EFFORTS OF THE ESF AND OTHER STRUCTURAL FUNDS TO TACKLE SPECIFIC AREAS

These were heady times for the ESF. As the single market reached its completion in the beginning of the 1990s and as the work towards a common European currency was moving ahead, it became more important to even out the differences between richer and poorer regions. In 1992, EU leaders therefore decided to almost double the



Structural Funds for the period of 1994-1999 compared to 1988-1993. Close to 70% of this aid was allocated to the regions most in need.

Member States also decided in 1994 to increase support to specific groups through new funds. Alongside the Structural Funds, the Cohesion Fund was introduced to help poorer EU countries develop environment and transport infrastructure projects. The Financial Instrument of Fisheries Guidance (FIFG) targeted restructuring in the fisheries sector - another area in need. Furthermore, the European Agricultural Guidance and Guarantee Fund (EAGGF), already in existence since 1962, continued to invest in the development of European rural areas. When Finland and Sweden joined the EU in 1995 the Structural Funds took on a new role addressing sparsely populated regions (of no more than eight people per square kilometre).



MOVING TOWARDS AN INTERGENERATIONAL APPROACH

Although it was already evident during the 1980s that birth rates were falling, it was not yet clear that an ageing population would cause a serious challenge to the labour market. Low levels of fertility meant that fewer people in work would be supporting more retired people (who at the same time were living longer) and this was putting pressure on Member States' pension systems. Europe was facing age-related employment problems with older workers (55-64) and a growing ageing population. Therefore there was a need to bring more people, such as women or immigrants, into the labour market. For the future it also meant that the experience and skills of older workers would become an increasingly important asset to their employers.

The ESF responded to this by allocating funds to train older people in the workplace to allow them to stay in employment longer or bring them back into the labour market. The ESF also supported initiatives providing care for older people, in order to give family members the opportunity to stay in or return to work.

TACKLING THE ROOTS OF GENDER INEQUALITY



Although women were becoming more and more active in the labour market, it was still largely expected that they would continue their 'traditional' role within the family at the same time. This brought to light the shortage of support structures to help them enter, stay and progress in their jobs. For example, the lack of childcare facilities meant that women had difficulties in having a professional career. The ESF contributed with subsidies for the use of childcare facilities, so that for example if a mother had to do a training course for three days a week, the ESF would pay the fees for the crèche.

The 1993 reform of the ESF made sure that aid was not just targeted at women returning to work after childbirth, but also at low and under-educated women who were in danger of being unemployed or socially excluded. It also helped women to become entrepreneurs.

The introduction of a specific Community initiative, New Opportunities for Women (NOW), between 1991 and 1999 gave a clear indication of the importance of women's participation in the labour market. NOW was designed to test and put in place new ideas for



women's training and employment, addressing issues such as women as entrepreneurs, matching work and family life and a balanced representation of men and women in decision-making. The projects under this initiative proved to be very successful, enabling many women to find a job or move into further training or education or set up their own business.

By supporting women's position in the labour market, the ESF has, over time, also made a significant contribution to the reduction in the gender pay gap. Thanks to European legislation, equal pay for equal work has been in force since 1975. The gender pay gap however refers to pay inequality as a reflection of inequalities between women and men on the labour market, such as separation in sectors, occupations and work patterns, access to education and training, biased evaluation and pay systems, and stereotypes. Despite increasing female participation in the labour market and in tertiary education, differences in the labour market position of men and women still remain. Nonetheless, the ESF has contributed to reducing the gender pay gap, from as high as 40% (in the 1960s) to less than 20% today. Whilst this is good progress, clearly the efforts must continue in the future.

ESF IMPACTS EMPLOYMENT RATES SUBSTANTIALY

The ESF played an important role in combating unemployment and helping to counter the negative effects of the economic recession. Although unemployment remained high at the beginning of the decade, it had fallen to 15.9 million by 1999, a reduction of almost 3 million. Furthermore, employment in the EU rose by 9 million from 149 million to 158 million between 1994 and 1999.



THE 2000s
Heading towards a
knowledge-based economy

One of the key questions facing Europe at the beginning of the millennium was how to remain competitive in an increasingly globalised world. Europe could not compete with the rest of the world on wages so it had to focus on a different competitive advantage. At the beginning of the millennium, a strategy to make Europe the most competitive and dynamic, knowledge-based economy in the world was launched. This demanded multi-skilled, flexible and highly efficient workers. Workers would need to keep abreast of technological developments, learn new skills of all kinds and be able to adapt to the next demands of the workplace. As a result, the notion of a 'job for life' became increasingly obsolete whilst the need for more people to develop an entrepreneurial mindset was gaining ground.



Whilst unemployment had dropped compared to the early 1990s, Europe's overall employment rates were still low. Long-term unemployment had also become widespread and a serious cause for concern for Member States. It meant that major efforts to increase the number of people in employment were needed.

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The introduction of the euro was completed in 2002 and the European Union was enlarged substantially with the entry of 10 new members in 2004, creating new challenges for what would be an EU of 25 Member States. Bulgaria and Romania joined in 2007, bringing the total to 27 countries.

PLANNING THE EMPLOYMENT STRATEGY FOR THE DECADE TO COME

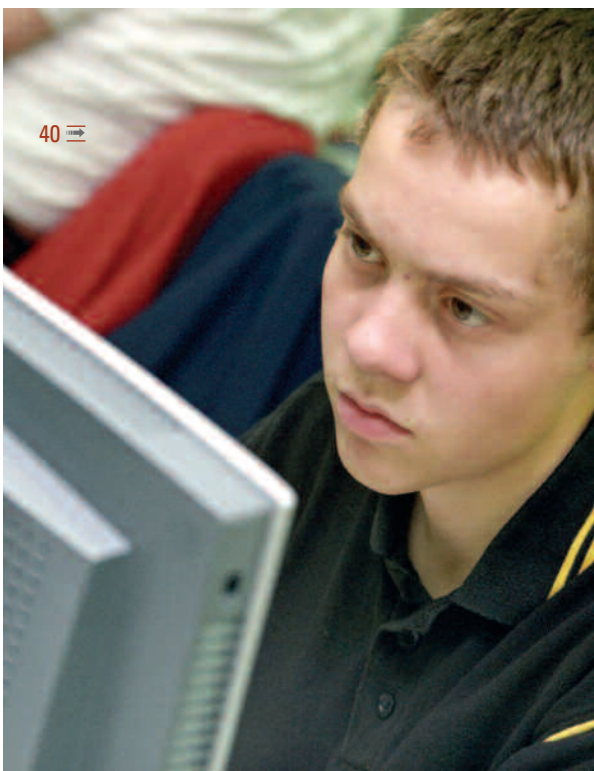
In 2000, EU leaders launched the Lisbon Strategy to make the EU the most advanced, knowledge-based economy by the year 2010. Among its aims were for the EU's overall employment rate to reach 70% and the

female employment rate to reach more than 60%. Subsequently an additional target was added: to raise the employment rate for older workers to 50% by 2010.

The Lisbon strategy goals meant that efforts to attract people to enter and stay in employment were stepped up. This idea became the main aim for all employment-related policies for the years to come.

NEW PRIORITIES FOR THE ESF

The ESF was now geared towards supporting the European Employment Strategy as part of the Lisbon Strategy and would target four pillars.

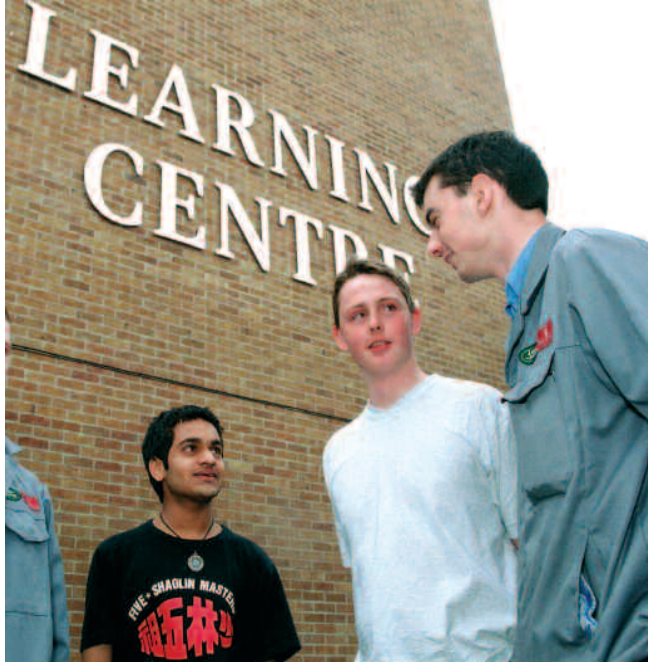


As the changing labour market demanded higher flexibility from workers and employees, a priority of ESF was to enhance the skills and flexibility of the existing workforce alongside the introduction of new forms of work organisation. Despite the increased participation in primary, secondary and third level education, the knowledge and skills acquired initially were no longer sufficient for a life-long working career. ESF therefore contributed to the development of education systems, to make them more responsive to labour market needs. It introduced a focus on life-long learning, and continuous training, including within companies.

In order to influence the trend in youth and long-term unemployment efforts were intensified to develop active labour market measures with preventive and job-oriented strategies, including increasing the numbers of unemployed who were offered training or similar measures.

Entrepreneurship also became a priority so that the full employment potential of the services sector and industry-related services, particularly of the information society and the environmental sector, could be exploited. The development of new enterprises, and the growth of small and medium-sized enterprises (SMEs), was essential for job creation and for the expansion of training opportunities for young people.

Further the ESF continued to promote equal opportunities in terms of accessing the labour market and preventing social exclusion. In addition to positive actions in favour of women's participation in the labour market, it introduced a gender-mainstreaming approach (this means looking at the implications of actions and policies for women and men).

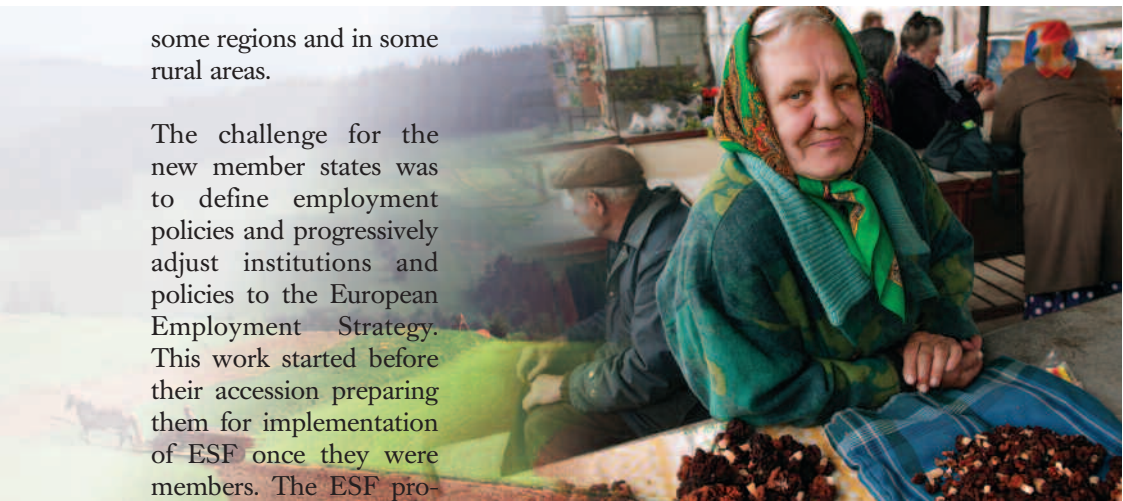


EXPANDING THE EU BORDERS

On 1 May 2004, the EU embraced the largest expansion in its history. Ten new Member States entered the Union, bringing new challenges to the ESF. Most of the new Member States faced a serious challenge in the context of transforming their societies and restructuring their economies into market economies, which led to a sharp fall in the total output, made large numbers of people unemployed and led to a concentration of problems in

some regions and in some rural areas.

The challenge for the new member states was to define employment policies and progressively adjust institutions and policies to the European Employment Strategy. This work started before their accession preparing them for implementation of ESF once they were members. The ESF provided major support to the new Member States when they entered the Union, to redress inequalities and to identify their employment policy priorities.



IMMIGRATION AS A MEANS OF STRENGTHENING THE LABOUR MARKET

In the new millennium, the European Union (EU) became an increasingly attractive destination in the flow of international migration. Realising that a new approach to managing migration was necessary, the leaders of the EU set out a common EU immigration policy in 1999 and 2004, setting the objectives for strengthening freedom, security and justice in the EU. The main objective was to better manage migration flows by a coordinated approach which takes into account the economic and demographic situation of the EU.

The ESF supports the integration of migrants, including those seeking asylum, through specific action to increase their participation in employment, develop their language skills and prevent labour market discrimination, thereby strengthening their social integration.

SAFEGUARDING THE EXPERIENCE OF SENIOR WORKERS

Even though the EU workforce is becoming steadily older, job opportunities for people aged 50 years and over were becoming increasingly limited, as older workers were often 'let go' first in restructuring companies and employers tended not to hire older workers. This produced a premature and permanent loss of human capital, as well as leading to higher expenditure on social protection, unemployment and healthcare.

This challenge gave birth to the concept of 'active ageing'. Active ageing refers to an increase in the labour force participation of older workers. It was recognised as key to modernising Europe's social model for the future. Tapping the potential of older workers would also help offset the negative trends in labour supply. The ESF helped to extend the active working life and increase the employability of those in their 40s and 50s through a number of training schemes. Some schemes introduced 'replenishment' periods in the careers of employees to increase their knowledge of new technologies and software. Another scheme helped transmit the knowledge of older workers to young people through mentoring programmes. Overall, increased attention has been given to enhancing working capacity through better access to training and improved working conditions.

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BRINGING YOUNG PEOPLE INTO THE LABOUR MARKET

One of the core areas for the ESF in the new millennium continued to be supporting young people to join the job market. With an EU-wide youth unemployment nearly double the overall rate for EU unemployment, this has been a serious challenge. Contrary to the earlier situation, where young unemployed people were mainly poorly-educated, Europe now had to tackle the issue of young unemployed graduates.





The ESF supported career development and individual guidance systems, such as careers education in the curricula of schools, careers counselling provided by community agencies and counselors (for example, to help young people get a first job, pick up new skills, manage career transitions or cope with unemployment), employment counselling by public employ-

ment services, local employment agencies and outplacement organisations and guidance, and training, counselling and apprenticeships provided to employees through lifelong learning organisations. In response to the problems of young unemployed graduates, combined work/apprenticeships with education and training have been introduced. The ESF has helped to set up services that are tailored to this specific group and offer one-to-one assistance and mentoring.

COMBATING ALL FORMS OF DISCRIMINATION AND CREATING EQUAL OPPORTUNITIES

Fifty years ago, overcoming the nationalist and ethnic conflicts which had divided Europe was one of the driving forces behind the process of European integration. For the new millennium, the key objectives are to prevent people from being discriminated against in any way due to their racial or ethnic origin, religion or belief, disability, age or sexual orientation.

Overcoming discrimination in the workplace and in accessing employment was recognised as a key element of the European Union's strategy in the new millennium to create more and better jobs. In order to increase employment it therefore became important, not only to put measures in

place that targeted particular groups, but also to take away the barriers to entry to the labour market or to participation in education.

The scope of the ESF was therefore duly expanded to include combating 'all forms of discrimination and inequality in connection with the labour market'. New tools to help employers comply with the two Equality Directives were developed, and the "Business Case" was set out as a way of convincing employers to recruit and enhance diversity amongst their employees. Active support of the social partners has been vital to this success. New types of employment services and roles were also supported, along with tailored training and communication as integral aspects of the integration process.

LABORATORY FOR INNOVATION

Building on the successes of the earlier Community Initiatives, the EQUAL initiative was launched in 2000 as a laboratory to develop new ways of tackling discrimination and inequality in the labour market and to promote a more inclusive work life through fighting discrimination and exclusion based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

The principles and architecture of EQUAL i.e. partnership with empowerment, transnationality, mainstreaming, innovation and thematic approach, have proven to be extremely effective in piloting comprehensive approaches to disadvantage and discrimination. The successful development of an integrated approach to the multi dimensional problems of discrimination has now become part of the European Union's strategy for more and better jobs and for ensuring that no-one is denied access to them.





**Celebrating 50 years
investing in people**



The past 50 years have seen extraordinary changes and progress in the EU. In celebrating its 50th birthday, the EU now encompasses 27 Member States and nearly 500 million citizens, including two new members – Bulgaria and Romania, who joined the union at the start of the year.

In 2007, efforts to reform the labour market have been seen to bear fruit, even if further efforts are needed to reach the European employment targets. Productivity growth and quality of jobs also remain below needs if we are to face global competition. The responsiveness of European labour markets to the challenges of globalisation and ageing remains a critical issue. At the same time there is an increasing demand for new skills, such as in new computer technologies, new services and biotechnology. The rapidly changing needs of the labour market require more adaptable solutions; the ageing of European societies calls for greater innovation and flexibility. Europe itself is changing as well.

This also coincided with the start of a new cycle of seven years for the ESF. With the EU's increasing focus on growth and jobs, the role of the ESF has become even more central.

LOOKING TOWARDS THE FUTURE – 2007 ONWARDS

To be able to meet the challenges in the years to come, the ESF has introduced key reforms. More than ever before, the ESF is following a strategic approach tailored to deliver growth and jobs. For the period 2007 to 2013, the ESF will invest more than EUR 10 billion per year, in addition to the Member States' own financial contributions. ESF support is concentrated in areas where it can have the greatest effects in achieving the goals agreed between Member States and the Commission. The rules of the ESF have been simplified, making it much clearer what the responsibilities are for Member States and the regions, and what the Commission's responsibilities are.



FLEXIBLE SOLUTIONS FOR A FLEXIBLE JOB MARKET

The EU is aware that globalisation and technological progress are rapidly changing the needs of workers and enterprises. Companies are under increasing pressure to adapt and develop their products and services more quickly. If they want to stay in the market, they have to continuously adapt their production methods and their workforce. This is placing greater demands on business to help their workers

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acquire new skills. It is also placing greater demands on workers with regards to their ability and readiness for change. At the same time, workers are aware that company restructurings no longer occur incidentally, but are becoming a fact of everyday life. In order to plan their lives and careers, workers need new kinds of security that help them to remain in employment, and make it through all these changes. New securities must go beyond the specific job and ensure safe transitions into new employment.

Flexicurity is an attempt to unite these two fundamental needs. It promotes a combination of flexible labour markets and a high level of employment and income security and is thus seen to be the answer to the EU's dilemma of how to maintain and improve competitiveness whilst preserving the European social model.

The ESF will thus continue to work on creating a flexible labour market. For the 2007-2013 period, the priority will be to increase adaptability of workers, enterprises and entrepreneurs by improving the anticipation and positive management of economic change. Within this priority, ESF support will concentrate on the modernisation and strengthening of labour

market institutions, on active labour market measures and lifelong learning actions, including within companies. The Fund will still address employment issues, ensuring accessibility to and promoting participation in the labour market. In addition, the Fund will also work to prevent social exclusion and combat discrimination by ensuring the access and inclusion of 'disadvantaged workers'.

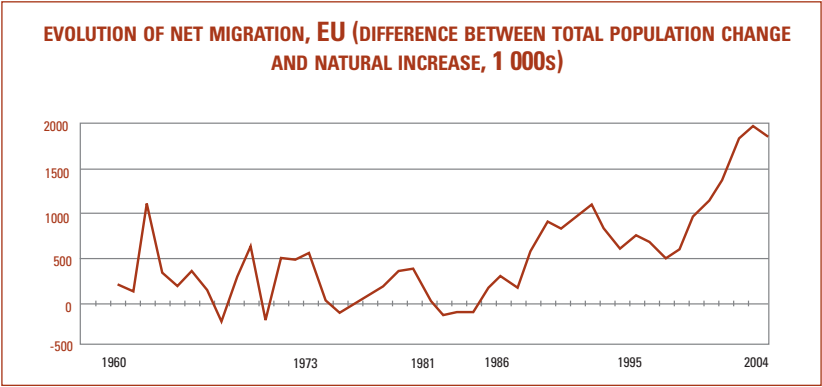
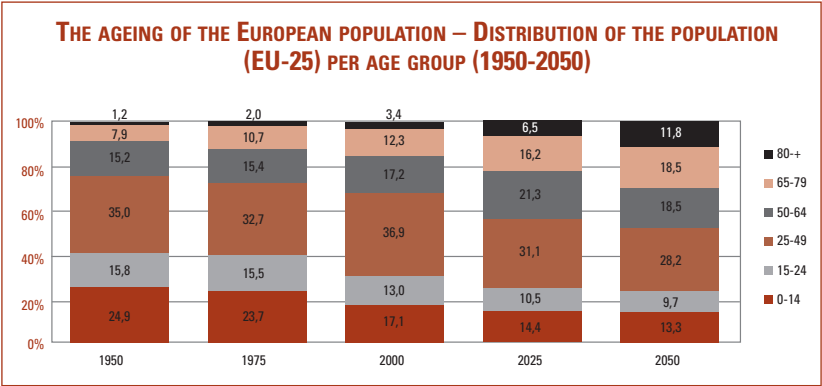
A new field for the Fund from 2007 onwards will be to strengthen the capacity of public institutions across all areas of government, at national, regional and local level to develop and deliver policies and services. The ESF will also promote partnerships between employers, trade unions, non-governmental organisations and public administrations to facilitate reforms in the field of employment and inclusion. Trans-national cooperation will be integral to all ESF actions, and innovation will become part of all its activities.

LONG TERM VISION

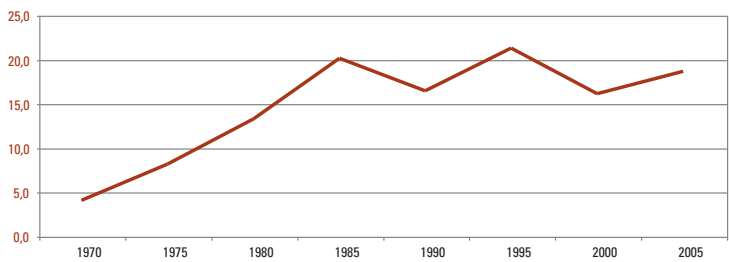
In the years to come, the European Social Fund will continue to promote economic and social cohesion and solidarity among Member States. It will support the European Union's objectives of full employment and social progress, the achievement of equality between women and men, solidarity between generations, while also combating social exclusion and discrimination.



ANNEX



UNEMPLOYMENT RATE, YOUTH (15-24) (%)



EVOLUTION OF LIFELONG LEARNING (% OF THE POPULATION AGED 25 TO 64 PARTICIPATING IN EDUCATION AND TRAINING – EU-25)



European Commission

European Social Fund: 50 years investing in people

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