Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013
Year 3 – 2013

Task 1: Job creation as an indicator of outcomes in ERDF programmes

Cyprus

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A report to the European Commission
Directorate-General Regional and Urban Policy
Contents

Executive summary ......................................................................................................................................................... 3

1. The use of the indicator to assess outcomes in policy areas ................................................................. 4

2. Definition, methodology, data reporting and wider use of the indicator ........................................ 5

   Definition and methodology ........................................................................................................................... 5

   Content of data ................................................................................................................................................. 5

   Wider use of indicator ................................................................................................................................ 6

3. Cost per job created ........................................................................................................................................ 6

4. The indicator of job creation in evaluations and AIRs ............................................................................. 7

5. Looking forward to the 2014-2020 programming period ........................................................................ 7

6. Further remarks ............................................................................................................................................. 8

References ............................................................................................................................................................ 9

Interviews ............................................................................................................................................................ 9

List of abbreviations

- AIR       Annual Implementation Report
- MA       Managing Authority
- OP       Operational Programme
Executive summary

Employment indicators are used in Cyprus but only to a limited extent. The main relevant indicator is the total number of jobs created by the Operational Programme (OP) co-financed by the ERDF; the number of man-year employment generated by research funding is another key performance indicator used in the policy area of research support.

Both indicators face methodological problems, as definitions are not clear, and collection and calculation processes are not standardised. Furthermore no effort has been made to break down the figures into different categories in the beginning of the programming period. Hence, while the Annual Implementation Report (AIR) for the OP does report on employment creation, there are doubts on the accuracy of the numbers because they rely on the reporting of beneficiaries without any quality control.

The Mid-term evaluation has addressed this problem and, through data mining and surveys, has arrived to concrete estimates of gross jobs created by the State Aid only, which demonstrate that the initial targets had been underestimates and will in fact be exceeded.

The cost per job created, as estimated, seems reasonable, but the evaluation itself highlights that there are relevant methodological and field constraints. There is a clear need, in particular as the recession deepens, to address employment in a more ambitious way and to try to assess not only the gross jobs created, but their breakdown (into temporary, part time, quality etc.) and sustainability. The public administration (both Managing Authorities (MAs) and Development Planning) are well aware of this need and have launched a study to start measuring specific dimensions and qualitative aspects. This study focuses on both the ERDF and the ESF-funded OPs.
1. The use of the indicator to assess outcomes in policy areas

There are seven (7) core indicators of job creation suggested by DG Regio in the Working Document no.7 (July 2009). Cyprus uses only two (2)\(^1\) of them in its OP for Sustainable Development and Competitiveness (Table 1):

- The number of “Jobs created (gross, Full-time Equivalent)” is used as an output indicator for the overall progress of the OP,
- while the number of “Research jobs created” (in man-years) is used as an output indicator in the priority axis “Knowledge Based Society and Innovation”.

EU Funding in “Knowledge Based Society and Innovation” is equal to EUR 108.5 million, and accounts for 18.7% of total EU funding in Cyprus in the period 2007-2013. It is the third most important priority area in terms of funding, after “Basic Environment and Energy Infrastructure” and “Regeneration of Urban and Rural Areas”.

Data on the overall actual job creation can be found in the mid-term evaluation of the OP, where it is suggested that the target has been achieved and surpassed (see Table 1).

### Table 1 - Overall employment creation indicator

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit of measurement</th>
<th>Reference</th>
<th>Target</th>
<th>Achievement 31.3.2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Gross Employment Creation</td>
<td>Number</td>
<td></td>
<td>1,158</td>
<td>1,310</td>
</tr>
</tbody>
</table>


The reported number of jobs for the first quarter of 2011 (1,310) refers to grants already signed and on-going projects. Adding up the jobs that are expected to be created upon completion of all projects the estimated number of jobs is expected to increase by 17.6%, broken down in the categories presented in Table 2 below.

### Table 2 - Estimated number of jobs created by the major State Aid interventions (grants)

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Estimated no. of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancement of tourist services</td>
<td>110</td>
</tr>
<tr>
<td>Supporting manufacturing SMEs</td>
<td>365</td>
</tr>
<tr>
<td>Female entrepreneurship</td>
<td>335</td>
</tr>
<tr>
<td>Youth entrepreneurship</td>
<td>510</td>
</tr>
<tr>
<td>Agro-tourism</td>
<td>225</td>
</tr>
<tr>
<td>Total</td>
<td>1,540</td>
</tr>
</tbody>
</table>


If we also add expected calls and the completion of all State Aid supported projects plus the jobs created during the implementation of public interventions, the total estimated number of jobs would be in the range of 1,750-1,800 jobs, significantly above the initial target set. This corresponds to 0.5% of total employment in the country and 5% of officially registered unemployment at the end of 2011 (LKN et al. 2012, p. 61).

The indicator on research jobs is more complex. The baseline of 1,333 man-years relates apparently to temporary employment during the life-time of the research projects funded. The

\(^1\)Source: 2011 AIRs.
achievement at the end of 2011 was 1,464 man-years, while the target for 2015 remains at 1,360 man-years (LKN et al. 2012, p. 98). In 2011, a total of 331 new research jobs were created, compared to a final target of 1,360 of new jobs by the end of 2015 (OP for Sustainable Development and Competitiveness).

Arriving at a total employment creation indicator is not possible because at that stage there are no data on job creation by public infrastructure schemes. Such support addresses both temporary jobs (during the construction phase) and sustainable jobs for operating the new infrastructure when completed. Isolated examples are used in the mid-term review (e.g. the creation of 20 direct gross jobs in a sewage project, which is close to completion) but such examples cannot be generalised and thus be used for an estimate of all jobs created by the public sector.

There are reservations on the accuracy of these figures, as explained in Section 2.

2. Definition, methodology, data reporting and wider use of the indicator

Definition and methodology

In the past, there was no explicit and clearly documented definition of the "Job Creation" indicator. As pointed out in the 2012 Mid-term evaluation, the indicator "Direct Gross Employment Creation" refers to the number of jobs created from the programme, without taking into account indirect job creation and multiplication effects. Progress in employment creation, was assessed by the Evaluator using ad hoc surveys for the evaluation and data from the information systems of the intermediaries, as well as from information on on-going projects (LNK et al, p. 61).

Content of data

Information on jobs created is very limited in the OP and the AIRs. More information is available from the mid-term evaluation. However these data face some limitations:

- There is no distinction between part-time and full-time jobs.
- There is no distinction between temporary and permanent jobs.
- Jobs created do not take indirect and multiplication effects into consideration; such impacts are not included in the basic definition of the core indicator.
- It is unclear whether the indicator takes into consideration the construction phase in each project. However, based on the sectoral breakdown reported in the mid-term evaluation, it is unlikely that the construction phase has been accounted for, as reported

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2 Δημιουργία Άμεσων Μεικτών Θέσεων Εργασίας.
3 Although there are no distinctions referring to either one of the flexible forms referred to in the two bullets above we know that both forms exist: based on information from a survey undertaken during the assessment of communication measures for the Structural Funds, we know 13.8% of the respondents did mention recognising the role of the entrepreneurship support schemes for supporting entries into the job market via flexible forms of employment. This, however only indicates a perception; by no means accurate statements, let alone suggest that this share represents the share of flexible forms of job creation.
projects refer to the enhancement of tourism, manufacturing, female and young entrepreneurship as well as agro-tourism. They are small grants and mostly fund improvement of operations rather than large construction schemes. However, as the beneficiaries themselves are the source of the data are and there were no precise guidelines, it was impossible to clarify the extent to which beneficiaries responded with standardised interpretations.

- Data reported in the AIRs do not distinguish between planned and expected outcomes; this may be partly attributed to project in progress, where it is difficult to decide what has been implemented and what is expected.
- The way data are collected from the beneficiaries is not subject to quality control by the Information System, and there are significant corrections in the official data from one year to the next. This issue is analysed in depth in the Mid-term Evaluation but standardised micro-data reporting is still missing.

Double-counting, quality of jobs and identification of jobs safeguarded/maintained were not a matter of concern during the design of the OP. However, when methodological problems arose, the Planning Bureau has launched a new study for the “Evaluation of the effectiveness of the OP “Sustainable Development and Competitiveness” and the OP “Employment, Human Capital and Social Cohesion on gender, equal opportunities and people with disabilities”, which is expected to be completed by July 2013. This study will address employment issues in detail. The study is implemented by the same consultant who undertook the mid-term evaluation, which is considered of high quality.

The data presented above refers exclusively to the OP “Sustainable Development and Competitiveness”, which is funded by the ERDF alone.

**Wider use of indicator**

In Cyprus, there is only one OP supported by the ERDF and one OP on “Employment, Human Capital and Social Cohesion” supported by the ESF. Job creation is among the key performance indicators of the latter, where there are also additional employment indicators monitored, such as quality, sustainability, gender issues, age diversification. Because of the strict austerity policies, there are very few investments, or support programmes supported exclusively by national sources. Employment creation is used in all of them but not systematically and there are no aggregate figures of that kind, when reporting on the state of the economy. This is partly due to the different nature of targets and types of employment created, which makes aggregation very difficult.

**3. Cost per job created**

The estimated costs below are calculated based on the reporting of expenditure and jobs at the end of 2011. As the two figures are reported in different places (namely the AIRs and the more extensive mid-term review completed after the AIRs were published in June 2012) and there is confusion between estimates and actual values, these may be subject to significant corrections. Besides, while for comparison reasons, it would be good to have data on financial engineering

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4 For instance there are significant changes in the indicator in youth and female unemployment from 2010 to 2011, partly diminishing because of final reporting or better controls
programmes, this was not possible as they only kicked off practically in 2012. Hence, all four cases discussed refer to State Aid grant schemes.

1. **Grants for the enhancement of competitiveness of manufacturing SMEs**: The target of this intervention is the increase of competitiveness and technological upgrading of SMEs. Based on the Mid-Term Evaluation, there have been two calls earmarking EUR 18.6 million and EUR 19.4 million (public expenditure) respectively, which correspond to EUR 69 million in terms of total investment (approximately 10% of this benefited crafts with 3 employees or less and 90% was allocated to larger firms). Taking into consideration the estimate of 365 jobs created, the cost per job created is EUR 189,000 per job, or EUR 104,000 public support per job.

2. **Improvement of tourist services**: A more precise figure can be given for smaller interventions, which are easier to monitor. Three approved projects for special purposes including expensive capital goods procurement (SPA, medical and sports tourism), with a total budget of EUR 2.7 million are expected to create 34 new jobs, i.e. EUR 79,053 public support for each job created. In relation to a more traditional scheme including the improvement of hotel infrastructure and services, the corresponding figures are EUR 4.7 million and 76 new jobs, corresponding to a cost per job of EUR 62,013.

3. **Female entrepreneurship**: This is a more thoroughly documented initiative with EUR 5.1 million spent in the first two calls estimated to be creating 156 permanent jobs at an equivalent public cost per job equal to EUR 32,270. This low figure can probably be explained by the type of new business created (such as hair-dresser salons, cafés, bakeries etc.) needing unskilled or lower skilled employees.

4. **Agro-tourism**: In agro-tourism, there are 145 new jobs expected to be created from an investment of EUR 18.3 million; this corresponds to EUR 126,325 per job created.

4. **The indicator of job creation in evaluations and AIRs**

The AIRs are not addressing the issue of employment systematically. Jobs are reported as indicated in the submission of proposals. There is no systematic quality control and there are difficulties in identifying how many jobs were created at which stage of the development of a project. Between 2010 and 2011, the figures on jobs created had to be revised in relation to several State Aid support schemes. This shows that there is no attention towards the indicator. Only the Mid-term Evaluation has put special emphasis on estimating real employment creation through data mining and surveys.

Moreover in order to improve the methodology and knowledge on the topic, a new, extensive study was launched, as mentioned in Section 2. This will provide more accurate figures. There is no attempt to estimate net rather than gross jobs created.

5. **Looking forward to the 2014-2020 programming period**

MAs are aware of the new definitions of the common indicators for 2014-2020. What they consider important is to improve their knowledge on the current situation, before embarking

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5 Mid-term evaluation p. 101.
into new reporting schemes, as proven by the launch of the study on effectiveness of the OPs in different aspects of equal opportunities, which was not mandatory. Given the limited culture of the country in evaluation studies, this indicates special interest. However, the severe financial crisis that emerged in March may produce adverse effects on future activities, studies and training.

6. Further remarks
At the moment, even though indicators on job creation are used, there are serious methodological constraints that prevent Cyprus from having reliable estimates. There is a need to improve the monitoring of jobs created so that it is possible to provide information on:

- the distributions (by type of intervention, sustainability and quality);
- the role of the ERDF for indirect employment creation;
- the type and duration of jobs created in public infrastructure;

The issue of employment has always been important in the past and is expected to gain an even more prominent place in the agenda of the National Reform Programme because of the deepening recession.

A lot is expected from a study currently in progress, which is assessing the effectiveness of the two national OPs regarding equal opportunities. The MA and individual beneficiaries are aware of the need to tightly monitor employment creation and adopt common methodologies.

Overall, at that stage the data on employment generation is rather rudimentary, based on the need to comply with the ERDF obligations and guidelines. The country does not have a long-standing evaluation culture and this affects its limited emphasis and utilisation of indicators. There are signs that this is gradually realised by the Planning Bureau but much remains to be done.

Significant improvements can be made if the Information System is more closely monitored, better integration between beneficiaries and the MAs allow for instant controls and in particular if refinement of job indicators is requested, referring to types (flexible or not, gross or net) or even additional topics of interest, such as the need to assess to what extent new employment attracts immigrants or Cypriots.
References
AIR of OP for Sustainable Development and Competitiveness.


Interviews

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
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<tbody>
<tr>
<td>George Hadjiafxentis</td>
<td>Senior Commercial and Industrial Officer Ministry of Commerce, Industry and Tourism</td>
</tr>
<tr>
<td>Yannis Kontos</td>
<td>Director of Industrial Development Service, Ministry of Commerce, Industry and Tourism</td>
</tr>
<tr>
<td>Michael Nikitaridis</td>
<td>LKN Consultants</td>
</tr>
<tr>
<td>Toula Patsali</td>
<td>Planning Bureau, MA</td>
</tr>
<tr>
<td>Maria Thedorou</td>
<td>Commerce and Industry Officer, Ministry of Commerce, Industry and Tourism</td>
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