



**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**

**Malta**

**Version: Final**

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

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## List of abbreviations

- AIR           Annual Implementation Report
- ETC           Employment and Training Corporation
- FTE           Full-Time Equivalent
- MA            Managing Authority
- PPCD         Planning and Priorities Coordination Department
- OP            Operational Programme
- PA            Priority Axis

## Executive summary

Malta's Operational Programme (OP) I defines 'jobs created' as a core impact indicator. The target for this indicator is set for the entire Programme, the scope of which is to gauge impacts at the level of the entire Programme. This is unlike output and result indicators which are set as targets specifically at the level of each Priority Axis (PA). In terms of achievement, jobs created for individual interventions are aggregated into PAs and overall Programme. It is however not mandatory for individual interventions to specify their impacts in terms of jobs created. Indeed beneficiaries whose project does not create direct jobs are not requested to select jobs created as an indicator but they must select another indicator be it output, result or impact, relevant to their respective intervention.

The OP refers to a target of 1,400 Full-Time Equivalent (FTEs) to be attained by 2015 over the entire programming period. According to the Annual Implementation Report (AIR) (2011), 109 direct jobs were created in 2011. Indications from the Managing Authority (MA) point to the creation of 186 direct jobs from projects implemented up to 2012, and an expectation of around 900 jobs to be created up to 2015 on the basis of funds committed so far.

Beneficiaries are provided with a definition of the indicator in terms of the creation of jobs in a direct manner and in FTE terms. The methodology to be applied for the collection and monitoring of data requires beneficiaries to provide an explanation on how their job target has been established and how data are to be collected.

It is important to note that, while the indicator is set as an impact indicator, the way in which it is understood and compiled by the MA is in terms of the gross number of jobs directly created by the implementation of an intervention. Emphasis is placed on direct jobs created resulting in the exclusion of indirect jobs. This must be considered in light of the fact that the Programme mainly deals with infrastructural projects, where job creation is not the main objective of the projects but a consequence of the activities being undertaken.

The diverse nature of the objectives and interventions under OP I has an important impact upon the measurement, relevance and interpretation of the cost per job created indicator which varies significantly across each of the PA as well as across interventions. Indeed the cost per direct job created taking into account solely EU funds varies from EUR 0.2 million to EUR 2.9 million.

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

The relative importance of the policy areas in which jobs created is used as an indicator of outcomes in OP I 'Investing in Competitiveness for a Better Quality of Life' cannot, in Malta's case, be directly determined in terms of ERDF expenditure due to the fact the target for 'Jobs created' is only set at a Programme level. In other words, it is not possible to ascertain the intentions of planners under each of the individual PAs or policy areas. Unlike output and result indicators which are specific to each of the PA, the core impact indicator<sup>1</sup> is utilised to assess at a macro level the impact of the Programme on the labour market.

This leads to a situation where jobs created can be viewed to be applicable to all priority areas and policy themes. The MA has however indicated, in the course of interviews, that for some policy areas, such as enterprise development which accounts for 17.2% of allocated expenditure (see Annex Table A), jobs created would be considered a more relevant indicator on account of the fact that generation of jobs is one of the main expected outcomes of this policy area. On the other hand, for other areas, such as transport, environment and energy, the issue of jobs created would be important but is considered to be secondary as compared to the achievement of other objectives.

This opinion expressed by the MA does not appear to be based on issues related to ease and reliability of measurement of outcomes, but rather on the likely impacts which specific interventions are expected to have on job creation.

It is worthwhile to note at the outset that, while the target for Jobs Created is set as an impact indicator, the variable is actually measured in terms of gross jobs directly created resulting from the interventions. As a result, the way the indicator is interpreted by the MA is closer in interpretation to an output rather than an impact indicator. Indeed, no reference is made to the sustainability of jobs created, the displacement effect or deadweight loss associated with the jobs created.

A target of 1,400 FTE jobs has been set to be attained by 2015 over the entire programme. The OP I notes that one of the objectives of the Programme is not that of increasing employment, but rather supporting infrastructure to sustain the current employment into the future. It is noted that the impact of the Programme, to be gauged through the indicators namely the jobs created indicator, is restrictive as it does not gauge the indirect impact which is also considered of relevance in terms of assessing employment.

The ex-ante evaluation report indicates that the target was established through an assumption that around 10% of the projected job creation would occur as a direct result of the Cohesion policy interventions, whereby it was estimated that 10,400 full-time jobs and 8,400 part time jobs would be created in the whole economy over the programming period.

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<sup>1</sup> Core Impact Indicators for OP I include: percentage increase in RTDI expenditure as a percentage of GDP, percentage increase in tourism earnings and the percentage increase of manufacturing export, environmental attractiveness indicators, transport attractiveness indicator, quality of life: social and physical development and ensuring that OP I is a low carbon programme.

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

### Definition and methodology

OP I refers to the core impact indicator in terms of direct jobs created in FTE terms but it does not provide a specific methodology to estimate the number of direct jobs created at a project level.

The relevance of the jobs created indicator applies both at the application stage as well as during the implementation of the project. In particular:

- Prior to the selection of projects, all applicants applying for any interventions under any of the PA are asked to provide clearly identifiable and measurable targets that comply with at least one of the indicators set in the relevant PA/Programme (output, result and/or impact).
- The jobs created indicator does not necessarily have to be chosen by the applicants but greater importance is allotted to this indicator as an additional 1-5 marks are awarded if the project proposal can demonstrate that the project will contribute to the job creation indicator.
- In the application selection, applicants are also asked to provide an explanation of how the target has been calculated and how the data for the indicator will be collected/monitored and eventually verified.
- Following the implementation of the project, the MA verifies the data through the formal submission of employment forms by the beneficiary to the Employment and Training Corporation (ETC). In addition, the MA carries out physical on the spot checks to verify the outcome of the project. These random physical checks can be undertaken anytime during the lifetime of the project.

Given that beneficiaries have to provide an explanation themselves, the main focus is not on the use of a consistent statistical methodology across all interventions, but on ensuring that the expected number of jobs created in any application is derived on the basis of an acceptable approach.

### Content of data

Neither the OP nor the application guidelines refer to a distinction between temporary and permanent jobs and/or to the quality of jobs created. Direct jobs created are to be considered in light of the operational aspect of the intervention. In fact, jobs created during construction are not to be included in the application since the MA is interested in estimating permanent rather than temporary jobs.

The information flow from the beneficiary, through the submission of the application, indicates the target of the intervention with respect to jobs created. Once submitted, the application is vetted by the Project Selection Committee which decides whether the project is approved for funding. The Project Selection Committee typically asks, on an ad-hoc basis, a series of questions on the nature of the direct jobs including whether they are of a permanent or a temporary nature, noting as well the possible seasonality particularly in interventions related to tourism.

Once the project is approved for funding, the beneficiary is responsible for the collection and the monitoring of the data during as well as after the implementation of the project. The MA in turn is responsible for the vetting of the data submitted to ensure that project targets are met. The MA conducts a number of plausibility checks on the data; beneficiaries may be asked to submit ETC forms to verify data.

Progress on the number of jobs created is published in the Annual Implementation Report (AIR) by the MA which outlines the total number of direct jobs but does not provide a specific breakdown of these jobs. Data reported in the AIR (2011) refer to actual outcomes, that is, direct jobs which have been created following the conclusion of the intervention<sup>2</sup>. According to AIR (2011), 109 direct jobs were created in 2011. It is to be noted that, due to the fact that jobs are recorded following the actual outcome and not based on planned or expected outcomes, the number of direct jobs published in future AIRs is likely to increase as projects reach their termination phase of the project cycle.

Indications from the MA point to an increase of jobs created to 186 in 2012 based on projects implemented up to the end of the year, and an expectation of around 900 jobs to be created up to 2015 on the basis of funds committed so far.

The indicator captures solely direct jobs although the creation of indirect jobs is considered particularly relevant in a Programme which deals with important infrastructural projects wherein jobs are not necessarily created in a direct manner but rather in an indirect manner.

Data on the quality of jobs are not captured by the indicator. Existing data do not distinguish between the types of jobs created nor the wages associated with these jobs.

Due to the emphasis on the direct number of jobs, indirect jobs, jobs safeguarded or maintained and redeployed resources are not captured in this indicator.

The number of direct jobs as published in the AIRs refers solely to the generation of jobs through ERDF and Cohesion Fund and is not related to ESF. The MA seeks to avoid the possibility of double counting within ERDF programmes and those funded under ESF by ensuring that no job creation on their database appears in relation to more than one funding instrument. The risk of double counting is in this respect low because data captured refer solely to results rather than impact. There are however no ways to check for double counting with respect to other funding instruments such as those related to Rural Development and Framework Programme.

### **Wider use of indicator**

The MA conducts a number of regular documentary and physical checks on programme beneficiaries to ensure the validity of information submitted by the applicant. It is to be noted that applicants are forewarned that indicators are binding and contribute to the selection of the project. If they are not met, there may be the case for full or partial recovery of funds. This approach is followed in relation to all performance indicators as specified by beneficiaries, which indicators can thus be considered to serve also an administrative function.

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<sup>2</sup> The MA has indicated that this is the outcome in most cases, but there may be instances where data is recorded once the direct job is created even during the life of the project.

As an indicator, 'jobs created' is essentially used to monitor the outcome of the OP in relation to Cohesion policy. It is not formally and technically utilised to assess the outcome of national programmes not co-financed by Funds. However, debates at the political level have in past focused on the total number of jobs created in the economy during the 2008-2013 legislature.

### 3. Cost per job created

The diverse nature of objectives and interventions under the PAs of OP I have an important impact upon the measurement, relevance and interpretation of the cost per job created indicator. Conclusions at this stage are also affected by the relatively early stage of the implementation of the Programme. Mainly to make the best use of the available data relating to completed projects, but also to reflect the dichotomous nature of interventions, comments in this section of the report are categorised into interventions under:

- PA1, involving creation of knowledge infrastructures;
- PA5, including a single, relatively large environmental management intervention;
- PA6, involving interventions dealing with urban regeneration and improvements in quality of life.

The following Table 1 provides details on the interventions on which the comments in this section of the report are based. The MA has indicated that in 2012 the total number of jobs created amounted to 186. As at end 2012, a total of 21 interventions are considered to have been completed<sup>3</sup> under these PAs, involving a disbursement of EU funds amounting to EUR 101.1 million (representing 19% of allocated Community funds) and of national funds standing at EUR 18.1 million, underpinning a total investment cost of EUR 142.9 million.

**Table 1 - Cost per job created**

Situation on Projects Completed as at end 2012									
Priority Axis	Number of Interventio	Nature of Interventions	Jobs Created	EU funds (€m)		National funds (€m)		Total Investment Cost*	
				Total	Per Job	Total	Per Job	Total	Per Job
PA1	9	RTDI	88	30.00	0.34	5.29	0.06	45.58	0.52
PA5	1	Environment	20	57.77	2.89	10.20	0.51	80.57	4.03
PA6	11	Education, Social Inclusion	78	13.35	0.17	2.57	0.03	16.71	0.21
<b>Total</b>	<b>21</b>		<b>186</b>	<b>101.12</b>	<b>0.54</b>	<b>18.06</b>	<b>0.10</b>	<b>142.86</b>	<b>0.77</b>

\*including non-eligible expenditure

The cost per job created in terms of total investment stands at almost EUR 0.8 million, of which EUR 0.5 million was supported by EU funds, and EUR 0.1 million by national funds. These aggregates are made up of widely varying values of the cost per job across each of the PA, as Table 1 shows. Indeed, the cost per job created funded through EU funds varies from EUR 0.34 million per job under PA6 which deals with interventions related to education and social inclusion to a high rate of EUR 2.9 million per job under PA5 dealing with large environment infrastructural interventions<sup>4</sup>.

It is to be recognised that completed projects falling under this PA6 deal with employment and education facilities and include the extension of a centre which deals with employment skills, upgrading and expansion of post second education facilities as well as construction and equipping of the computing services building at University.

<sup>3</sup> A few of which actually have minimal components as yet going on in 2013.

<sup>4</sup> The development of direct jobs under PA5 presented in Table 1 refers to the development of a sewage treatment plant in the South of Malta.

The nine completed projects under PA1 feature an intermediate level of cost per job created. The projects are mainly of an RTDI infrastructure nature. Costs per job created also vary significantly between individual interventions ranging from EUR 0.1 million to EUR 3.5 million in PA1.

In addition to the above, the MA is reporting that up to the end of 2012, 101 jobs were created through grant support schemes. These jobs however are not included in the 186 jobs reported above. A systematic analysis of the extent of jobs created through these schemes is called for, owing to the fact that they in part support on-going business activities. They may thus be relatively more strongly associated with deadweight effects, which may however be contrasted by input- output and multiplier effects across the economy. These schemes are as yet on-going. It is however worthwhile to note that total public funding committed to these schemes is EUR 6.7 million, of which EUR 5.7 million from EU sources. This indicates that the cost per job created under these schemes is likely to be on the lower end of the scale of interventions under OP I.

In terms of a financial instrument, the MA has indicated that loan-guarantee scheme operated through JEREMIE has resulted in the creation and safeguarding of 1,610 jobs up till the end of 2012. The MA did not disclose the distribution between jobs created and safeguarded. It is not possible to associate this job figure with an expenditure amount at this stage. With the allocation of EUR 51.0 million to the loan guarantee scheme, however, it is clear that this intervention will have a significantly lower cost per job created compared to others under OP I.

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

The ex-ante evaluation provided a brief description of the derivation of the target on jobs created. As an evaluation, the report focused on providing recommendations for a new set of indicators and following the exercise, the output, result and impact indicators were reviewed. The review was based on data and information emerging from ad hoc interviews and meetings undertaken with stakeholders as part of the ex-ante evaluation. The ex-ante evaluation report concluded that the indicators are satisfactory.

As indicated by the MA, the mid-term evaluation of the Programme focused on the rate of utilisation of the financial resources rather than on specific indicators. Indeed the mid-term evaluation notes that impact indicators are the lowest achievers due to the fact that such high level indicators can only be effectively measured in the long term following the completion of projects.

A thematic evaluation is to commence in 2013 which will focus on impacts and on jobs created. The thematic evaluation will centre around two themes namely increasing competitiveness and improving the quality of life with all PAs covered in the OP distributed on these themes.

Data reported in the AIRs on the number of direct jobs created can be considered reliable as they are based on actual outcomes and because there are quality checks as explained above. Furthermore, to ensure reliability of the data, the MA takes into consideration data which are formally backed by forms issued by ETC.



The MA has indicated, on the basis of its records, that the total number of direct jobs is expected to increase to around 186 by the end of 2012. These data have been provided by the MA and are based on the provision of data submitted by the beneficiaries in relation to approved projects up to 2012. Furthermore the total number of jobs created expected by the end of the programming period from projects committed up to end of 2012 amounts to over 900 jobs. This estimate is based on information contained in the relative application forms.

A more comprehensive assessment of the number of direct jobs created up to end of 2012 can be undertaken by including an estimate of the number of jobs created through JEREMIE. The latter are not currently captured in the data provided by the MA. The estimate provided here is based on the economy-wide relation between bank credit flows and FTE job creation in SMEs in Malta between 2008 and 2012, excluding the effects of sectors which have experienced significant job growth but which do not depend on bank credit such as gaming and financial services. Based on this assessment, EUR 1 million of credit is estimated to have generated about 15 FTE jobs. As a result, with a total disbursement of credit under JEREMIE amounting to EUR 43 million as at end of 2012, the total number of FTE jobs created on account of this scheme is estimated at about 640. It is to be noted that the implicit cost per job created in this manner, at around EUR 70,000, is significantly lower than that associated with other interventions under the OP.

Therefore, in total, the number of FTE jobs created through OP I up to the end of 2012 is estimated to have amounted to 830.

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

On the basis of discussions held, the MA is aware of the new definitions of the common indicator for the next programming period as outlined in Annex 2 of 'Guidance document on monitoring and evaluation – ERDF and Cohesion Fund – Programming Period 2004-2010, Concepts and Recommendations, (2012). The MA noted that as an authority responsible for the efficient absorption and management of European assistance, it has no particular qualms with the definition based on gross new working positions in assisted SMEs in FTE terms. The MA did however raise concerns that there may be difficulties arising from: (i) the precise measurement of the jobs created as a direct consequence of the intervention thus excluding realignments and jobs safeguarded; (2) the inclusion of realignments and safeguarded jobs would actually be a fair representation of the performance of an intervention in firms which are in the process of downsizing and restructuring.

The MA pointed out that, as a lesson learnt from the current programming period, the indicator on jobs created should take into account possible redeployed resources and therefore also safeguarded jobs. This is particularly important for an economy that has undergone structural changes and may continue to experience such changes. The MA however stressed that, while gross jobs should be considered, any future indicators should also consider the quality of jobs to ensure that jobs created are of a superior quality although there will always be an element of subjectivity in this regard.

## 6. Further remarks

As a general comment, the use of the jobs created indicator suffers from lack of methodological justification from the perspective of the setting of the overall target. From an administrative perspective, it appears that the MA affords a certain degree of importance to this indicator, judging by the attention given to it in the evaluation of applications, and potentially, in the judging of the performance of individual projects through the monitoring of this indicator from administrative employment sources.

The suitability of direct job creation as a performance indicator strongly depends on the types of interventions. It is considered as a relevant indicator for interventions which specifically deal with employment. It is however considered less relevant for interventions which are mainly of an infrastructural nature and which deal with the environment or general well being and wherein jobs are not created specifically in a direct manner but rather indirectly. In Malta's case, emphasis on the direct jobs creation results in an underestimation of the overall impact of the Programme. It is due to this reason that there are other impact indicators which are not related to employment such as environmental attractiveness and low carbon which are also utilised in order to estimate the overall impact of the programme.

The cost per job created is also not considered to be an adequate evaluation measure due to the fact that this cost varies significantly between interventions across the PAs. This is due to the fact that the cost is significantly high for interventions which finance large infrastructural projects as opposed to other interventions such as grants which are specifically earmarked for enterprises and the main objective of which is to create jobs. As a result the interpretation of the cost per job indicator as a means for assessing the effectiveness of funds must be cautiously applied. Furthermore the application of the cost per job created should not take into consideration solely the investment cost but also the operational costs, excluding labour costs, of maintaining jobs over the lifetime of the project, in order to better assess the effort needed to create and sustain jobs. Furthermore a clear methodology on capturing relevant data both in terms of direct and indirect jobs created appears lacking, thus limiting the effectiveness of the this indicator particularly in terms of capturing a comparative assessment of funds.

## References

Planning and Priorities Coordination Department (2012), "OP I, Cohesion policy 2007-2013: Investing in Competitiveness for a Better Quality of Life", May 2012, Malta; URL: <http://www.ppcd.gov.mt/op1?l=1>

Planning and Priorities Coordination Department (2012), "OP I, Cohesion policy 2007-2013: Investing in Competitiveness for a Better Quality of Life – AIR 2011", Malta.

## Interviews

Ms Georgina Scicluna Bajada (Head OP I), Planning and Priorities Coordination Department (PPCD).

Ms Marilou Micallef (Projects Manager), PPCD.

Ms Marie Sacco (Senior Manager), PPCD.

Ms Elizabeth Bugeja (EU Fund Office), PPCD.

## Annex

### Tables

**Annex Table A - Allocated Community Funds by Policy Areas**

Priority Theme	Sub-category	Allocated Community Funds (EUR million)	Priority theme (% of total)	Sub-category (% of total)
1. Enterprise environment	RTDI and linked activities	45.6	17.2	8.9
	Innovation support for SMEs	23.7		4.6
	ICT and related services	15.1		2.9
	Other investment in firms	4.3		0.8
2. Human resources	Education and training	-	0.0	0.0
	Labour market policies	-		0.0
3. Transport	Rail	-	19.5	0.0
	Road	71.8		14.0
	Other transport	28.5		5.5
4. Environment and energy	Energy infrastructure	30.4	33.6	5.9
	Environment and risk prevention	142.5		27.7
5. Territorial development	Social Infrastructure	68.7	27.6	13.4
	Tourism and culture	63.1		12.3
	Planning and rehabilitation	10.2		2.0
	Other	-		0.0
6. Technical assistance		10.5	2.0	2.0