



**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**

The Netherlands

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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	6
Wider use of indicator.....	6
3. Cost per job created	7
4. The indicator of job creation in evaluations and AIRs.....	9
5. Looking forward to the 2014-2020 programming period.....	9
6. Further remarks	9
References.....	10
Interviews.....	10
Annex.....	11

List of abbreviations

- AIR Annual Implementation Report
- EC European Commission
- EIM Economisch Instituut voor het Midden- en Kleinbedrijf
- FTE Full-time Equivalent
- MA Managing Authority
- OP Operational Programme

Executive summary

Priority 1 “Knowledge Economy, entrepreneurship and innovation” is the most important in terms of job creation as well as share of ERDF expenditure. It roughly corresponds to the two broad policy areas of *Enterprise Support & ICT* and *RTDI Support*.

All four Managing Authorities (MAs) report the indicator of jobs created in a similar way in their Annual Implementation Reports (AIRs). They all report planned, committed and actual jobs created at programme level and by priority based on the progress reports from the projects and the content of the data is more or less the same for all MAs.

The main problems in relation to the indicator and the data reported are:

- The difficulty of estimating job creation, in times of economic crisis in particular, which leads to the data reported by projects being less reliable.
- The difficulty of estimating jobs created as a result of ERDF support since it is not clear what would have happened in the absence of support and when the estimates should be made – whether at the end of a project or a few -years later.
- The difficulty of distinguishing between direct and indirect jobs and of allowing for the uncertain influence of other factors on the jobs reported as resulting from the projects.
- The difficulty of allowing for substitution effects when trying to assess the net effect on employment, i.e. of jobs lost perhaps as a result of the jobs created.
- The need to recognise that the number of jobs created by a project or a programme is not necessarily an indication of its impact as such. A good qualitative description could help to give a better picture of the impact.
- The fact that the impact of the ERDF co-financed programmes on regional development cannot be assessed by simply summing up the values of indicators.
- The fact that the focus of reports is more on reporting financial absorption than on the “results” “impact” and the “efficiency of the policy and the support provided”.

The four MAs do not estimate net job creation in addition to gross job creation. They look only at the presumed direct effect of the projects and programmes. Other effects are not considered. All Dutch MAs are familiar with the new definition of the indicator ‘job creation’.

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

The figures in Table 1 show the planned and certified ERDF expenditure and the planned and actual number of jobs created by priority. The figures relate to the situation at the end of 2011 and are based on the progress reports of the various projects which summarised in the 2012 AIRs. It should be noted that many projects report the actual number of jobs created in the final report at the end of the project. Moreover, it is clear that it is difficult for many project applicants to assess the expected number of jobs likely to be created by the project. For this reason, the targets set by the applicants for the job creation indicator were reviewed at national level by using the model developed in the “EIM study”, which essentially assumes a relationship between investment and jobs created based on analysis of past projects¹.

Information about expenditure and job creation in the AIRs is given only by priority, and not by field of intervention, so it is difficult to relate it to broad policy areas. Table 1 shows the ERDF expenditure (planned and committed) and the resulting number of jobs created (target, committed, and realised). (The figures relating to “technical assistance” are excluded.)

Table 1 - ERDF expenditure and job creation by priority (end 2011)

Priority	Total planned ERDF budget (EUR million)	Total ERDF expenditure committed (EUR million)	Total target job creation (in FTE*)	Total committed job creation (in FTE)	Total realised job creation (in FTE)
Priority 1 Knowledge Economy, entrepreneurship and innovation	432	407	7,305	22,996	4,740
Priority 2 Attractiveness and accessibility	177	150	2,090	4,218	699
Priority 3 Urban development	188	163	3,165	3,501	1,060
Total	830	749	12,560	30,715	6,499

Note: * FTE - Full-time Equivalent.

Table 2² shows the total amount of ERDF commitments by broad policy area. *Enterprise Support & ICT* is to be the most important policy area in terms of committed ERDF funding up to the end of 2011, followed by *Territorial Development, RTDI Support, Energy, Environment, Transport and Human Resources*.

While data on job creation by broad policy area is not available as such, it is nevertheless clear from Table 1 that the most important priority in terms of committed and realised jobs is the first priority, *Enterprise Support & ICT* and *RTDI Support*, which accounts for around 73% of the jobs created by end-2011 and 58% of the total target set for end-2015.

¹ EIM -Economisch Instituut voor het Midden- en Kleinbedrijf.

² Annex Table A shows how the categories of expenditure have been aggregated into seven broad policy areas (*RTDI Support, Enterprise Support & ICT, Human Resources, Transport, Environment, Energy and Territorial Development*).

Table 2 – National ERDF expenditure (committed) per priority (end 2011)

Policy Area	Committed ERDF expenditure (EUR million)	Committed ERDF expenditure (% of ERDF committed)
RTDI support	104.3	13.9
Enterprise support & ICT	268.6	35.5
Human Resources	16.8	2.2
Transport	21.1	2.8
Environment	24.6	3.3
Energy	42.7	5.7
Territorial development	217.1	28.9
Total of policy areas	695.2	92.7
Total ERDF committed	750.0	100.0

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

Definition and methodology

All four MAs report data for the jobs created indicator in the AIRs in more or less the same way. In all cases, the gross number of jobs created is expressed in FTE terms. All MAs report planned, committed and realised jobs in each priority based on the various project progress reports. All MAs count the number of jobs created, check the plausibility of the data and go back to the provider if necessary.

To estimate jobs created more consistently a model has been developed by the Ministry of Economic Affairs³ to calculate the number of FTEs jobs resulting from a project on the basis of the investment carried out and project characteristics. The main benefit of this is that it allows estimates to be compared across projects and the Operational Programmes (OPs) of the four MAs. Moreover it can be used to set the target for jobs created at programme level more consistently. The model is used by all four ERDF programmes. Some of them use the model and do not add further information, others use the model as an indicator and request additional information from the beneficiaries. This ensures assures that data are reasonably reliable in all programmes and even more so in some.

All MAs mentioned the Ministry of Economic Affairs using the model in their AIRs but differ in the extent to which they use it themselves. For instance, the MAs of the Eastern and Southern regions use the model extensively to estimate the expected and realised number of jobs created by projects and by the OP as a whole both during project implementation and on completion. On the other hand, the MA of the Northern region argues that the underlying assumption of a linear relationship between investment and job creation is unlikely and does not apply to the projects supported. The MA, therefore, calculates the total number of jobs created by adding up the data from individual projects. The model is used however for to check plausibility. Only when all the projects are finished does the MA use the model to calculate the final number of jobs created by

³ In 2009, the Dutch Ministry of economic Affairs carried out a scientific study on job creation in relation to various types of intervention and developed a model which estimates the job creations resulting from different kinds of public interventions. An underlying assumption of the model is a linear relation between investments and job creation (EIM study, 2009).

the OP. The MA for the Western region does not give any indication in the AIR of the model it uses in this regard⁴.

The directions included in the Working Document no. 7 prepared by DG Regional Policy in 2009⁵ led to more consistency in the data reported.

Content of data

The numbers of jobs created which are reported are comparable in terms of the following features:

- Jobs are expressed in FTE terms by MAs using the estimation model described above.
- No distinction is made between temporary and permanent jobs in the data reported: none of the MAs adopts a clear distinction between “temporary” and “permanent” jobs. This has to do with the fact that the calculation method measures “gross jobs created” without taking account of the possibly temporary nature of jobs. In practice, it is evident that many jobs created are only temporary. (In the application form for funding, a distinction is made between short and long-term effects and temporary jobs are identified as short term and indirect jobs as long term.)
- No distinction is made between direct and indirect jobs in the data reported: however all regions measure direct jobs created by counting actual jobs on the basis of project progress reports. The MA for the Western region ” pointed out that in the final report due at project completion, promoters need to distinguish between direct jobs and indirect jobs created (although in the application form only the “number of jobs created (gross)” is required). The MA for the South mentioned that indirectly created jobs are included in project descriptions in order to demonstrate the importance of the project.
- Jobs created during the construction stage of a project are usually not included in the data reported.
- There are no particular efforts to capture the quality of jobs.
- Only jobs created are reported and not those safeguarded or maintained.
- There should be no double counting in the data reported: the calculation model normally prevents this from happening (though this view is not shared by MAs who consider that double counting cannot be totally ruled out but does not occur very often in practice).
- The data reported relate to the ERDF only and there are no programmes or projects which combine ERDF and ESF financing.

Wider use of indicator

The central government does not aggregate the data across programmes to calculate a global figure for jobs created at national level as a result of ERDF co-financed programmes.

Plausibility checks are carried out on the data at programme level not least by means of the model developed as part of a study carried out by the national government in 2009 on the effects of public intervention on job creation.

⁴ For more information on how the model is used by the four MAs, see Annex 1.

⁵ Indicative Guidelines on Evaluation Methods: Reporting on core indicators for the ERDF and the Cohesion Fund, European Commission (EC), 2009.

The main problems in calculating the indicator and in the data reported are:

- The difficulty in estimating jobs created at times of economic crisis in particular since the data reported by projects is less reliable.
- The difficulty of estimating jobs created as a result of ERDF support since it is not clear what would have happened in the absence of support and when the estimates should be made – whether at the end of a project or a few -years later.
- The difficulty of distinguishing between direct and indirect jobs and of allowing for the uncertain influence of other factors on the jobs reported as resulting from the projects.
- The difficulty of allowing for substitution effects when trying to assess the net effect on employment, i.e. of jobs lost perhaps as a result of the jobs created.
- The need to recognise that the number of jobs created by a project or a programme is not necessarily an indication of its impact as such. A good qualitative description could help to give a better picture of the impact.
- The fact that the impact of the ERDF co-financed programmes on regional development cannot be assessed by simply summing up the values of indicators.
- The fact that the focus of reports is more on reporting financial absorption than on the “results” “impact” and the “efficiency of the policy and the support provided”.

3. Cost per job created

Table 3 summarises the main features of expenditure and jobs created a regards four investment grant schemes for companies. Table 4 indicates the unit cost of a job created by three different types of project all aimed at increasing the attractiveness of regions as places to start up and develop businesses.

The numbers refer to finalised projects and come from the final reports prepared by project promoters on project closure.

Table 3 - Grant schemes OP South, aimed at SMEs (total of 4 schemes)

	Total expenditure (EUR)	ERDF expenditure (EUR)	National public expenditure (EUR)	Regional public expenditure (EUR)	Private expenditure (EUR)	Jobs created
Committed	146,100,000	29,200,000	16,800,000	8,200,000	91,900,000	2,874
Realised	71,400,000	12,300,000	8,100,000	5,400,000	45,600,000	907
Average cost per job:						
	<i>Total expenditure (EUR)</i>	<i>ERDF (EUR)</i>				
- committed	50,835.1	10,160.1				
- realised	78,721.1	13,561.2				

Table 4 – Examples of projects aimed at improving regional attractiveness for businesses and people

<i>1. Sustainable commercial area Schuttersveld-Zuid</i>						
Strengthening sustainability and the competitiveness of the commercial area Schuttersveld-Zuid, and the business located there.						
	Total expenditure (EUR)	ERDF expenditure (EUR)	National public expenditure (EUR)	Regional public expenditure (EUR)	Private expenditure (EUR)	Jobs created
Committed	955,640	430,038	-	525,602	-	12
Realised	1,035,244	430,038	-	605,206	-	12
Average cost per job:						
	Total expenditure (EUR)	ERDF (EUR)				
- committed	79,636.7	35,836.5				
- realised	86,270.3	35,836.5				
<i>2. TETEM unites cultural energy</i>						
Redevelopment of the Tetem 1-building (former blanket factory) in Enschede als TETEM Kunstruimte (art gallery). Vitalising cultural dynamics.						
	Total expenditure (EUR)	ERDF expenditure (EUR)	National public expenditure (EUR)	Regional public expenditure (EUR)	Private expenditure (EUR)	Jobs created
Committed	147,900	72,000	-	70,000	5,900	1
Realised	183,453	72,000	-	70,000	41,453	1
Average cost per job:						
	Total expenditure (EUR)	ERDF (EUR)				
- committed	147,900.0	72,000.0				
- realised	183,452.7	72,000.0				
<i>3. House of entrepreneurship Deventer</i>						
As part of rehabilitating inner city areas of Deventer, creation of a Centre for entrepreneurship. Support for new entrepreneurs, suburban economy.						
	Total expenditure (EUR)	ERDF expenditure (EUR)	National public expenditure (EUR)	Regional public expenditure (EUR)	Private expenditure (EUR)	Jobs created
Committed	910,000	260,000	-	650,000	-	5
Realised	820,489	234,425	-	586,064	-	2
Average costs per job:						
	Total expenditure (EUR)	ERDF (EUR)				
- committed	182,000.0	52,000.0				
- realised	410,244.5	117,212.7				

It should be noted that without any information on the context, scope and purpose of the projects, the figures on unit costs are difficult to interpret and should not be compared. The huge variance in the cost per job reflects the variety of the projects. As could be expected, projects aimed at supporting investment in SMEs have lower unit costs (EUR 13,561 of ERDF support per job created) than infrastructure projects (up to EUR 117,212 of ERDF per job

created). The total cost of a job for the examples presented here varies between EUR 86,270 and EUR 410,233.

4. The indicator of job creation in evaluations and AIRs

Judging from the annual reports, the four MAs do not estimate net jobs created in addition to gross jobs. The MAs of all regions confirmed that they do not make any attempt to estimate net (rather than gross) jobs created in evaluations. When the jobs created estimation model was developed (see section 2), MAs were advised not to apply gross-net corrections because these are made at national level as part of programme evaluations.

The development of the model was part of efforts to improve the reliability of the indicator and the use of it has achieved this.

The fact that the figures reported relate to gross jobs created which do not take into account any job losses that occur at the same time limits the usefulness of the data to assess achievements. According to MAs, simply adding up all the jobs created from the various projects is not the right way of assessing employment effects of the ERDF or of measuring the impact of programmes. Regions are concerned with the long-term effects but these need to be measured appropriately.

5. Looking forward to the 2014-2020 programming period

The extent to which MAs are familiar with the new definition of the indicator of jobs created differs between authorities. In general, however, all regions are more or less familiar with the new definition of the common indicator for 2014-2020 and consider it to be “understandable”. Nevertheless all MAs state that the content of the data will depend on the interpretation given to the definition. All declare their support of the philosophy of the EC regarding the need for a result oriented policy in the next programming period. They are all willing to cooperate.

The MA for the Southern region foresees two problems in the application of the definition in practice and in collecting the data. First, the exact outcomes of the indicator will still depend on what projects report. Second, the direct relationship between projects and jobs created remains troublesome.

In The Netherlands, meetings (Project Management Officer - PMO+) are held monthly with ERDF and ESF authorities in order to be prepare the next programme period (2014-2020) with EC representatives.

6. Further remarks

It is evident that relatively little attention is given to the reliability of the indicators in general. The indicator for jobs created is no exception to this regard.

References

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Operational Programs Objective 2 Netherlands:

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- South 2007NL162PO003
- West 2007NL162PO002
- East 2007NL162PO004

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Interviews

Managing Authorities – Objective 2 Programmes:

- Martijn Panjer, Province of Gelderland, MA East
- Casper Kronenberg, Kansen voor West, MA West,
- Pieter Liebrechts, Province of North-Brabant (Stimulus), MA South.
- Roelof Jansma, SNN, MA North.

Annex

Tables

Annex Table A – National committed ERDF expenditure per broad and detailed policy area by end 2011

Broad policy area		Detailed policy area	
Area	Committed ERDF expenditure (EUR million)	Area	Committed ERDF expenditure (EUR million)
RTDI support	104.3	RTDI and linked activities	104.3
Enterprise support & ICT	268.6	Technical assistance	29.5
		Support for innovation in SMEs	170.2
		Other investment in firms	20.6
		ICT and related services	48.3
Human Resources	16.8	Education and training	14.9
		Labour market policies	1.9
Transport	21.1	Rail	1.0
		Road	16.3
		Other	3.8
Environment	24.6	Environmental infrastructure	24.6
Energy	42.7	Energy infrastructure	42.7
Territorial development	217.1	Tourism and culture	90.9
		Planning and rehabilitation	119.2
		Social infrastructure	7.0
		Other	0.0
Total of policy areas	695.2	Total of policy areas	695.2
Total ERDF committed	750.0	Total ERDF committed	750.0

Annex 1 - Job creation estimates – approaches by MAs

In 2009, the Dutch Ministry of economic Affairs carried out a scientific study on job creation and developed a model to estimate jobs created as a result of different kinds of public intervention. An underlying assumption of the model is that there is a linear relationship between investments and jobs created (EIM study, 2009). The table below summarises the extent to which the model is used by the four MAs in the Netherlands.

Use of job creation estimates by MAs

Use of the model	Progress reports	Motivation of applicant	Plausibility check on-going or completed projects	Model used for on-going projects	Model used for completed projects
North	X		X	X	X
South	X		X		X
East	X	X	X	X	X
West	X	X	X		X

The North region counts the direct jobs created (in FTE terms) during the execution of projects and declared by project promoters. The amounts declared are compared with the model. If the values are within the margin of error of the model estimates the value is reported otherwise the model estimate is taken. When a project is finished the targets are calculated on the basis of real data from the project. MA determines whether declared values are in line with targets. If the value is unknown or not correct the values calculated from the model are used. Sometimes at the end of a project the figures are still estimates. The North regions stated that they strive to minimise estimation. The preparation phase of projects is not taken in account in calculating jobs created.

The West region pointed out that the model is used as an extra check on the plausibility of data. This is particular important in the application phase and at the end of the project.

In the East region the tool is extensively used. All indicators are based on project progress reports. The data reported are then compared with the model estimates. When the estimates are within the margin of error of the model, the value is reported otherwise the model estimate is used.

The South region does not mention making any distinction between on-going and finished projects when calculating jobs created. It may therefore calculate jobs created in on-going projects differently from the North.