



**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**

Sweden

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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
- FTE Full-time Equivalent
- MA Managing Authority
- OP Operational Programme

Executive summary

Projects co-financed by the ERDF had at the end of 2011 created an estimated 27,838 new jobs in Sweden, which corresponds to about 80% of the target. New jobs are defined as jobs in the private as well as public sector that have been created as a direct consequence of projects. All jobs are calculated in Full-time Equivalent Terms (FTEs), taken as 1,650 hours a year. No distinction is made between temporary and permanent jobs due to the fact almost all new jobs in Sweden, because of the institutional framework, start off by being temporary. The only aggregation of data made is the one which has to be undertaken in order to present figures for the number of new jobs created by the Swedish Operational Programmes (OPs) in the Annual Implementation Reports (AIRs).

No attempts to estimate net job creation have been undertaken. The only data for new jobs come from project promoters on completion of projects. Technically, there are few problems in the calculation of the data. All new jobs created in connection with a project are seen as genuinely new and are reported as an effect of the programme.

The Managing Authorities (MAs) are familiar with the new definition of the common indicator for the 2014-2020 period and they do not foresee any problems applying the definition in practice.

In Sweden, EU regional policy is primarily seen as a long-term strategy aimed at strengthening the competitiveness of Swedish regions. Thus, the purpose is to bring about long-term structural changes that will enhance competitiveness and bring higher economic growth in the future. For a policy with such a long-term structural focus new jobs is not a particular relevant indicator.

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

New jobs created are, together with the indicator for new firms, used as an indicator in all the priority areas in Sweden. In addition to new jobs and new firms, the number of new transport and communication solutions is used in the transport and communication priority area.

Table 1 - Actual expenditure and outcomes in terms of new jobs in different priority areas at the end of 2011

| Priority area | Planned expenditure (EUR million) | Actual expenditure (EUR million) | Target New jobs | No. of new jobs 31/12-11 |
|---------------------------|-----------------------------------|----------------------------------|-----------------|--------------------------|
| Enterprise and Innovation | 668.6 | 342.6 | 31,750 | 27,183 |
| Accessibility | 344.1 | 78.6 | 1,500 | 514 |
| Territorial cooperation | 15.8 | 1.1 | 200 | 141 |
| Total | 1,028.5 | 422.3 | 33,450 | 27,838 |

The presentation of outcomes in terms of new jobs is not divided into different policy areas in the AIRs. Outcomes in terms of new jobs are simply presented in a table in which the total number of new jobs in each of the programmes is included. However, the AIRs of the different programmes include the outcome for new jobs created in the different priority areas. The figures presented in Table 1 are based on these data¹.

At the end of 2011, actual expenditure amounted to 40% of planned while new jobs created represented 80% of the target. This mainly reflects exceptional results in two regions – Stockholm and West Sweden. After spending a third of the budget, jobs created exceeded the target by 11% in West Sweden, while in Stockholm, has created over four times the number of jobs planned after spending 85% of the budget. One reason is that Stockholm, with the smallest ERDF budget, uses a significant part of the resources on efforts to further strengthen the existing national support system for entrepreneurship and SMEs. Accordingly, it is difficult to distinguish the specific contribution of the ERDF funds to the new jobs created by the system. A single project, 'Entrepreneur Stockholm', together with the follow up project 'Start-Up Stockholm', aimed at coordinating and increasing the standard of business advice explains much of the success in terms of new jobs.

¹Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Övre Norrland. Årsrapport 2011* Stockholm 2012, Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Mellersta Norrland. Årsrapport 2011* Stockholm 2012, Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Norra Mellansverige. Årsrapport 2011* Stockholm 2012, Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Östra Mellansverige. Årsrapport 2011* Stockholm 2012, Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Stockholm. Årsrapport 2011* Stockholm 2012, Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Västsverige. Årsrapport 2011* Stockholm 2012, Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Småland och öarna. Årsrapport 2011* Stockholm 2012 och Tillväxtverket *Förändra, förbättra och förstärka. Att arbeta med regional tillväxt i strukturfondsprogrammet för Skåne-Blekinge. Årsrapport 2011* Stockholm 2012.

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

Definition and methodology

The Swedish Agency for Economic and Regional Growth, which is the national MA, has presented a clear definition of the indicator for “jobs created” and the definition is applied by the 8 Structural Fund partnerships responsible for OP implementation and monitoring. According to the definition, new jobs include jobs in the private as well as public sector which have been created as a direct consequence of projects supported. People employed in getting the project underway are excluded. Only in cases where, after the project is completed, they get a new job created as a consequence of the project but not financed by it are they counted. In essence, new jobs defined as lasting jobs not financed by project money.

Content of data

All jobs are expressed in FTEs, taken as 1,650 hours a year. Sweden has only a single MA with units in each of the regions so the definition is used in all the OPs. All jobs reported as new are actual ones, not those expected or planned. The quality of the jobs is reflected in the kinds of project financed so no efforts are made to assess this directly. No distinction is made between temporary and permanent jobs since almost all new jobs in Sweden begin by being temporary, because of the institutional framework. Temporary jobs are fixed-term ones, of no longer than two years' duration. These jobs are, by law, converted into permanent ones, after someone has worked for two years, except in special circumstances. The Nordic welfare model is, in contrast to the Continental and the Mediterranean models, characterised by weak job protection legislation. The main difference between temporary jobs and permanent ones is that the former have an explicit time limit, which, however, can be prolonged in particular circumstances far beyond the stipulated two years.

Each project has to deliver a final report when the project is finished which includes the number of new jobs directly created by the project. The practical arrangements for preparing the final report varies between projects, though there is a template in which project promoters have to describe the way in which the project has been innovative, the degree to which the purpose and aims of the project have been achieved, the target groups and how successful the project has been in reaching them. An overview of the activities initiated by the project also has to be given along with the outcome in relation to the goals. The latter needs to be based on the definition of the indicators - new jobs and firms created and so on - but there is no standard method for making the calculation. The report needs also to include a discussion of the effect of the project on horizontal goals and other outcomes. For projects which have been subject to on-going evaluation, the impact of the evaluation on goals and the way it has been implemented needs to be discussed. The final report from the evaluation team has to be attached to the final report. Project promoters have also to describe how the activity will continue after the project has ended. No efforts are made to try to calculate possible indirect job effects.

There is, for several reasons, a significant risk of double counting although the risk is considered to have been reduced by the experience gained in the last programming period. The risk is well-known to programme managers and is taken into account so far as possible, though there is no

standard method for doing this. New jobs created have to be those directly resulting from the projects and should not include jobs safeguarded or maintained.

Responsibilities for ERDF co-financed programmes and ESF ones are separated and there are two distinct MAs for them. Managers of ERDF co-financed programmes have little knowledge about how new jobs are defined in ESF projects². The only instances where there could be an overlap between jobs created by ERDF and ESF support is where beneficiaries operate several projects, some being financed by one and some by the other (such as ESF projects to increase the employability of young people and those for stimulating growth and entrepreneurship in tourism). A systematic review of the different project managed by promoters is now being undertaken.

Wider use of indicator

The only purpose of aggregating the data on jobs created is for reporting the indicator in the AIR.

The indicator of new jobs created is also used in national programmes which explicitly have this objective, but these are small compared to co-financed programmes. Sweden has no national programmes for regional development of importance.

3. Cost per job created

Based on existing published material, the cost per job created can only be estimated for the different priority areas at national and programme level.

Table 2 - The cost per job created in different priority areas ³

| Priority area | Actual expenditure (EUR million) | No. jobs created | Cost per job (EUR) |
|---------------------------|----------------------------------|------------------|--------------------|
| Enterprise and Innovation | 1,236.5 | 27,183 | 45,488 |
| Accessibility | 270.6 | 514 | 526,459 |
| Territorial Cooperation | 3.9 | 141 | 27,660 |
| Total | 1,511.0 | 27,838 | 54,278 |

The total expenditure so far on the programme is EUR 1,511 million of which the contribution from the ERDF is 28%. The average cost per job is EUR 54,278 although the difference between the priority areas is large. Each new job in the priority area “Accessibility” costs over ten times more than a job created in the priority area “Enterprise and Innovation”. The results of accessibility projects are mostly so specific that they cannot be measured by core indicators. The appropriate indicator to use tends to vary from project to project, as can be illustrated by one example. In the priority area, three new railway stations have been opened for commuting so increasing the ease of access of residents to neighbouring, larger, labour markets and so the

²According to an evaluation of the ESF in Sweden, projects supported are expected to have an effect at three levels – individual, organisational and structural – and outcomes are measured for each of these. New jobs are not used as an indicator for any of them (Ramböll *Utvärdering av Europeiska Socialfonden i Sverige. Preliminära resultat. (Evaluation of the European Social Fund in Sweden. Preliminary Results)* 2012.

³Tillväxtverket *Samlad lägesrapport per 2013-03-29. En investering för framtiden*. Stockholm 2013.

chances of them getting a job. But the railway stations in themselves have not created any new jobs directly.

With published data it is not possible to calculate the unit cost of a job created by means of different types of measure except for one project providing seed and venture capital. Seed capital takes the form of loans to new firms in their take-off phase. Venture capital takes the form of equity capital investment in limited companies which have come through the take-off phase. Seed capital financing is included in only one of the programmes while venture capital is included in 8 programmes.

Table 3 - The cost per job created by seed capital and venture capital

| Instrument | Actual expenditure (EUR million) | No. jobs created | Cost per job (EUR) |
|-----------------|----------------------------------|------------------|--------------------|
| Seed capital | 9.6 | 159 | 60,400 |
| Venture capital | 250.7 | 474 | 528,912 |

The average expenditure per new job created by seed capital amounts to only around a tenth of that in respect of venture capital. This difference partly reflects the fact that much of the finance going to venture capital funds has not yet reached financial beneficiaries as well as a longer-term perspective being taken than for seed capital loans. Equity capital investment normally implies a commitment to actively participate to the development of the firm for several years and, in any case, the outcome of the investment, in terms of new jobs should not be assessed before the shares in companies are sold. At that time, the cost per job created from venture capital funds will almost certainly be much lower than that it appears at the end of 2011 (in Table 3).

4. The indicator of job creation in evaluations and AIRs

There are no attempts to estimate net jobs created. The only data for jobs created which are used are those provided by project promoters. Technically, there are a few problems with the data. The major problem is that little effort is made to identify the jobs which would not have been created without ERDF support. To identify these, counterfactual analysis would need to be carried out but no attempt is made to do this. All new jobs connected with a project are reported as resulting from the programme. Because the data is reported by project managers (at project completion) there might be some variation in the figures but it is not possible to assess the reliability or comparability of the data as such. It can be assumed that project promoters do not consciously misinform since there is no incentive to report wrong figures. If the target set for a project is not achieved, there is no penalty and it has no effect on the chances of getting future projects.

So what does the number of new jobs presented in the AIR tell us? They represent the assessment of people involved in the management of projects of the number of new jobs which result from the programme. The assessment is based on a clear definition and therefore - *a priori* - a common view of what the indicator should cover and what not.

5. Looking forward to the 2014-2020 programming period

The MAs are familiar with the new definition of the common indicator for 2014-2020 and they do not foresee any problems applying the definition in practice.

6. Further remarks

EU regional policy is an investment policy that supports job creation, competitiveness, economic growth, improved quality of life and sustainable development. The policy therefore has five different goals but the goals are not necessarily consistent with each other, which forces Member States to prioritise. Sweden has chosen to put the focus on the second and the third goals – competitiveness and economic growth. In Sweden, EU regional policy is primarily seen as a long-term strategy aimed at strengthening the competitiveness of Swedish regions. The purpose of the policy is to promote long-term structural change that will enhance competitiveness and bring higher economic growth in the future. For a policy with such a long-term structural focus, the creation of new jobs in the short term is not a particularly relevant indicator. The relationship between increased regional competitiveness and new jobs is complex. Under certain circumstances gains in competitiveness go hand in hand with losses in employment and *vice versa*.

Considering EU Cohesion policy as a means of bringing about long-term structural changes implies that a development model based on a strategy to achieve objectives “operationalized” into specific, measurable, relevant and time-bound goals that can be evaluated is of limited value. In Sweden the long-term strategic perspective is combined with an alternative approach, the development supportive approach, which implies an acceptance that the long-term outcome of programmes is not measurable. This approach is based on the conviction that the development process is complex and cannot be controlled. Policy-making is only one of several factors that may exert an influence on development. Policy-makers can influence development but not steer it towards pre-determined goals. Using this approach, evaluation is more about having a system for systematic learning and sharing of experience. Evaluation in this case is primarily a tool for accumulating knowledge in order to avoid making again some of the mistakes made in the past.

In the AIR, there is only a short text on the indicators – one page in 2012 version and the job indicator is mentioned in only one sentence in which the number of new jobs created is stated without any comment.

If the main objective of policy is the short-term creation of new jobs, other policy measures, such as public expenditure increases and tax reductions or labour market reforms, are in most cases more effective than Cohesion policy. The urgent unemployment situation in EU is a strong argument for giving more attention to increasing employment, but it is open to question how far Cohesion policy can be used efficiently for short-term job creation.

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Interviews

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