



**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**

**Slovakia**

**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
- CCA           Central Coordination Authority
- EC            European Commission
- FDI           Foreign direct investments
- FTE           Full-time Equivalent
- ITMS          National IT system for Structural funds.
- MA            Managing Authority
- n/a           not applicable
- OP            Operational Programme
- OP CaEG      Operational Programme Competitiveness and Economic Growth
- OPBK         Operational Programme Bratislava region
- SFC system   System for fund management of DG Regio

## Executive summary

In 2011, the most of jobs created has been reported in enterprise environment (776 new jobs) and territorial development (586 new jobs) followed by environment and energy (70 new jobs). In 2007 – 2013 the highest number of jobs financed by the ERDF/Cohesion Fund is expected to be created in enterprise environment (9,200 jobs) followed by territorial development (4,888 jobs) and environment and energy (788 jobs).

The number of jobs created is the net increase of jobs (men or women) in the supported project of the final beneficiary. The reported jobs have to be created in direct link with the supported project (i.e. they would not be created without the realisation of the respective project). The indicator is defined in Full-time Equivalent (FTE). For example, two part-time jobs are reported as one (FTE) and one new job created. There is no distinction between temporary and permanent jobs. The quality of jobs is not being monitored but can be derived from the type of the project (e.g. the purchase of new innovative technologies implies that the person operating the technology should be skilled in his field).

The calculation of cost per jobs created is difficult. The financial assistance from ERDF/Cohesion Fund is provided for projects which often include purchase of new equipment, technologies, patents, licences and other tangible and intangible assets. It is therefore difficult to distinguish the actual costs for jobs created in SMEs, linked for example to innovation support, when the total volume of financial assistance is taken into account.

The Central Coordination Authority's (CCA) guidelines on reporting apply to all Operational Programmes (OPs), and therefore are the same for each Managing Authority (MA). The CCA is regularly providing guidance on the consistency and definition of the indicator in line with the requests from the European Commission (EC) and is discussing the changes with the MAs.

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

The indicator is used in three policy areas funded by ERDF/Cohesion Fund. In 2011, the most of jobs created has been reported in enterprise and RTDI support and territorial development followed by environment and energy (see Table 1). The total allocation (EU + national co-financing) for policy areas in which the indicator is used amounts to EUR 2,487 million. At the end of 2011, the EU and national expenditure in all relevant policy areas reached EUR 949.9 million.

**Table 1 – Number of jobs created and certified eligible expenditure by policy area in 2011<sup>1</sup>**

	Jobs Created	Allocation EU + national contribution (EUR)	Expenditure EU + national contribution (EUR)	Expenditure/number of jobs created (EUR) <sup>2</sup>
1. Enterprise and RTDI support	776	558,714,660	187,273,876	241,332
2. Human resources	n/a*	n/a	n/a	n/a
3. Transport	n/a	n/a	n/a	n/a
4. Environment and energy	70	980,984,000	162,728,344	2,324,691
5. Territorial development	586	948,131,311	599,955,671	1,024,689
Total	1,432	2,487,829,971	949,957,891	663,610

Source: own calculations based on Annual Implementation Reports (AIRs).

Note: The values in the last column represent the national and EU expenditure in the respective priority axes of OPs aggregated in corresponding policy area divided by the number of reported jobs created.

OPs included in the policy areas:

Enterprise and RTDI support: OP CaEG and OP Bratislava region.

Environment and Energy: OP Environment and OP CaEG.

Territorial Development: OP Health, Regional OP, OP CaEG.

\* not applicable.

Table 2 shows the relative importance of policy areas for overall number of jobs created. The highest number of jobs is expected to be created in enterprise environment (9,200 jobs) followed by territorial development (4,888 jobs) and environment and energy (788 jobs). The territorial development has been the most successful policy area in terms of job creation, with 12% of planned jobs created, followed by environment and energy with 9% and enterprise and RTDI support with 8.4%. The highest share of jobs on total job creation in 2007 – 2013 is expected to be created in enterprise support (61.9%) and territorial development (32.9%).

<sup>2</sup> The values of this indicator are distorted by other costs related to project implementation such as purchase of new licenses, technologies and machinery and other investments in intangible and tangible assets.

**Table 2 - Relative importance of policy areas for the overall number of jobs created in 2011**

	Jobs created (2011)	Target value	Policy area/Target value total (%)	Jobs created/Target (%)
1. Enterprise and RTDI support	776	9,200	61.9	8.4
2. Human resources	n/a	n/a	0.0	0.0
3. Transport	n/a	n/a	0.0	0.0
4. Environment and energy	70	778	5.2	9.0
5. Territorial development	586	4,888	32.9	12.0
Total	1,432	14,866	100.0	9.6

Source: own calculations based on AIRs.

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

### Definition and methodology

The reporting of the indicator is defined by guidelines provided by the CCA. The definition of new jobs created in the guideline is the following:

“The number of jobs created is the net increase of jobs (men or women) in the supported project of the final beneficiary. The reported jobs have to be created in direct link with the supported project (i.e. they would not be created without the realisation of the respective project).”

Furthermore, the guideline defines in more details what can be reported as new job created. The most important conditions are the following ones:

- The job position should be filled for at least 365 days since its creation and should not be vacant for more than 60 calendar days. Moreover, it should not have existed prior to the implementation of the supported project.
- It can be a full-time or part-time job, but it is reported in FTE.
- The final beneficiary cannot report the employment of self-employed persons as new job created.
- The beneficiary should be able to provide clear evidence related to social security and health insurance payments and the employee should have a standard legal employment contract.

The CCA's guidelines apply to all OPs, and therefore are the same for each MA. The CCA is regularly providing guidance on the consistency and definition of the indicator in line with the requests from the EC and is discussing the changes with the MAs. The CCA (formerly at the Ministry of Transport, Construction and Regional Development) at the Government Office of Slovakia prepares and adopts obligatory guidelines with precise definitions regarding the reporting of the indicator.

## Content of data

The indicator is defined in FTE. For example, two part-time jobs are reported as one FTE and one new job created. There is no distinction between temporary and permanent jobs. The reported jobs created have to be in direct link with the supported project (i.e. they would not be created without the realisation of the respective project).

The jobs created during the construction stage of a project are not reported and are distinguished from jobs which remain after the construction phase is over.

Most MAs are reporting both actual as well as expected outcomes<sup>3</sup> in AIRs. However, the expected or planned outcomes are not being reported in the ITMS<sup>4</sup> or SFC 2007<sup>5</sup>. Therefore the number of planned or expected outcomes reported in the AIRs provides indicative information for development in the near future.

The existing guidelines on reporting of new job are clearly defining the reporting of actual, expected or planned outcomes.

In case that the MA defines the indicators at programme level as outcome indicators (i.e. job creation is a clear objective of the projects), the MA reports the indicators in AIRs and SFC 2007 after the activities of the projects have been finished. The jobs created in projects which are still being implemented are reported as expected. The source of information is the approved interim project monitoring report.

In case that the MA defines the indicators at programme level as impact indicators (i.e. job creation as the indirect effect of projects implementation), the MA reports in the AIRs and in SFC 2007 the values from monitoring reports after the projects have been concluded (end of financing). The final beneficiary is obliged to report during a three-year/five-year<sup>6</sup> period after the end of the project (end of financing). For this purpose, he is obliged to submit monitoring reports and report values of relevant indicators.

In case that the MA is aggregating the value according to above-mentioned output and impact indicators at programme level, it is obliged to avoid double-counting. The double-counting issue is being addressed by the staff at the MAs. The actual achievements are monitored and verified at the final beneficiaries and then reported by the MAs (or intermediate bodies under MAs).

The quality of jobs is not being monitored but can be derived from the type of the project (e.g. the purchase of new innovative technologies implies that the person operating the technology should be skilled in his field).

At present, the MAs are not reporting the values for safeguarded or maintained jobs<sup>7</sup>. The same methodology is being applied for reporting of jobs created by the ERDF and the ESF. Differently from ERDF, in some ESF projects, the jobs created are being reported during the implementation phase of the projects (e.g. national employment projects).

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<sup>3</sup> On the basis of signed contracts (e.g. planned values are mentioned in these).

<sup>4</sup> National IT system for Structural funds.

<sup>5</sup> System for fund management of DG Regio.

<sup>6</sup> Art. 57, regulation 1083/2006.

<sup>7</sup> For projects under the new calls of OP Competitiveness and Economic Growth (OP CaEG) the net increase in employment is equally reported.

### **Wider use of indicator**

The values of jobs created which are reported by MAs are aggregated and reported in the ITMS and SFC 2007 system. However, there are some limitations of the national ITMS system (e.g. design and architecture of the software related to reporting of indicators), which makes it sometimes difficult to report accurate values of indicators at national level. The system is still being fine-tuned and upgraded.

The programmes which are monitored in relation to job creation outside Cohesion policy support are mainly related to state aid support for Foreign Direct Investments (FDIs) (e.g. automotive industry, electronic industry etc.). The state aid is directly connected to creation (maintaining) of new jobs and production capacities. In the recent years, this kind of support represented the most important tool for attracting FDIs and helped to shape the current structure of the Slovak economy. At the same time, the government seeks to attract investments with higher value added and investments to regions with higher unemployment rates (e.g. investments to central and eastern regions). This kind of support still represents one of the main tools of the government to attract FDIs, create new jobs and compete with the neighbouring countries in acquiring FDIs.

### **3. Cost per job created**

The calculation of cost per jobs created is difficult. The financial assistance from ERDF/Cohesion Fund is provided for projects which often include purchase of new equipment, technologies, patents and licences. It is therefore difficult to distinguish the actual costs for jobs created in SMEs linked for example to innovation support. Although the support will create new jobs<sup>8</sup>, the overall cost per job created could be distorted by other expenditure related to the project. Therefore, the calculations of cost per job created have limited information value (Textbox 1).

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<sup>8</sup> In some cases the introduction of new technologies can have negative effects on employment.

**Textbox 1 – Examples of good practice and cost per job created****Example 1**

Project: Increase of competitiveness of Welding, s.r.o. Company in the area of mechanical processing of steel constructions

Financial contribution: EUR 398,400

Measure: 1.1 Innovation and technological transfers – (OP CaEG)

Duration of the project: 5/2010 – 9/2011

Results: 7 new jobs created

Cost per jobs created: EUR 56,914

**Example 2**

Project: Research and development of innovative technologies in the K-system s.r.o.

Financial contribution: EUR 798,470

Measure: 1.3 Support for innovation activities in enterprises - (OP CaEG)

Duration of the project: 5/2010 – 12/2011

Results: 2 patent applications, 2 new jobs created

Cost per jobs created: EUR 399,370

Table 3 shows the number of jobs created, certified eligible expenditure and costs per job created by individual OPs.

**Table 3 – Number of jobs created and certified eligible expenditure by OPs in 2011**

	Jobs created	Allocation EU + national (EUR)	EU + national expenditure (EUR)	Costs per job (EU + national/jobs created) (EUR)
OP CaEG	1,137	885,689,883	283,482,877	249,325
OPBK*	19	44,220,542	12,281,086	646,373
OP Health	190	284,911,765	100,657,949	531,177
OP Environment	30	782,352,941	123,242,854	4,108,095
Regional OP	56	490,654,840	430,293,123	7,683,806
<i>Total</i>	<i>1,432</i>	<i>2,487,829,971</i>	<i>949,957,891</i>	<i>663,610</i>

Source: own calculations based on AIRs.

Note: \* OP Bratislava region.

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

At present, no evaluations or studies focused on estimation of net job creation have been carried out. The information provided by the MAs and included in the AIRs are quite reliable as they are reported by the final beneficiaries and verified by MAs. The data are verified directly at the final beneficiary. At the end of 2011, 1,432 jobs have been created.

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

For the next programming period, the MAs are taking into account the Guidance document on monitoring and evaluation. The intention is to avoid any flaws in the design of future OPs with relation to indicators. It seems that the experience with present programming period together with the new guidance documents are producing an important impact in this area and are thus



being discussed between the CCA and other MAs. It remains to be seen whether these efforts will be translated into better design, monitoring and reporting of indicators.

The new definition of this indicator is well understood at the level of MAs. However, there seems to be a problem with the definition relative to the durability of new jobs created. The definition of jobs durability "*Jobs are expected to be permanent, i.e. last for a reasonably long period depending on industrial-technological characteristics; seasonal jobs should be recurring*" can lead to different interpretation of durability across Member States and cause difficulties in the cross-country comparison or aggregation on EU level.

## **6. Further remarks**

The motivation for collecting and reporting of the indicators by MAs is based on the obligation to report the values to the EC. Although the indicators are providing information on actual achievements and the MAs are communicating them via various information channels, the general discussion in media and by politicians is focused mainly on absorption and rather marginally on actual achievements in the respective OPs.

The present programming period has revealed several shortcomings in setting of target values as well as reporting of new jobs created. The Guidance Document on Monitoring and Evaluation for 2014 – 2020 and its use in preparation of the next programming period, together with the new intervention logic, should improve the monitoring and reporting of new jobs created in the future.

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- Výročná správa o vykonávaní Konkurencieschopnosť a hospodársky rast za rok 2011, Ministerstvo hospodárstva SR
- Výročná Správa o vykonávaní Operačného programu Informatizácia spoločnosti za rok 2011, Úrad vlády Slovenskej republiky
- Výročná správa o vykonávaní Operačného programu Bratislavský kraj za rok 2011, Ministerstvo pôdohospodárstva a rozvoja vidieka
- Výročná správa o vykonávaní Operačného programu Životné prostredie za rok 2011, Ministerstvo životného prostredia
- Metodické usmernenie CKO určené RO a koordinátorom HP k vykazovaniu údajov vo výročnej správe za rok 2011, Ministerstvo dopravy, výstavby a regionálneho rozvoja
- Výklad najpoužívanejších merateľných ukazovateľov projektov OP ZaSI, Ministerstvo práce, sociálnych vecí a rodiny URL: <http://www.esf.gov.sk/new/index.php?id=2906>
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## Interviews

Katarína Kurucová – OP Competitiveness and Economic Growth.

Juraj Hrdlovič – OP Competitiveness and Economic Growth.