



**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**

United Kingdom

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
- BIS Department for Business Innovation & Skills
- DCLG Department for Communities and Local Government
- FTE Full-time Equivalent
- IV Indicator Value
- JEREMIE Joint European Resources for Micro to medium Enterprises
- JESSICA Joint European Support for Sustainable Investment in City Areas
- LEGI Local Enterprise Grant Initiative
- MA Managing Authorities
- MCIS Management and Control Information System
- OP Operational Programme
- RSA Regional Selective Assistance
- SFC system System for fund management of DG Regio
- VCLF Venture Capital and Loan Fund
- WEFO Welsh European Funding Office

Executive summary

Job creation has been one of the most commonly used indicators in the current ERDF programme across the United Kingdom. However, because the type of job created can vary so much by duration and quality it is important to use it alongside other indicators like the number of businesses assisted.

It is a lagging indicator of impact and it is easily some three years into the life of a programme before any significant job creation starts to be recorded. Thus, as at the end of February 2013 the overall level of job creation in England reported from 1,038 projects¹ was 37.4% of the original programme target of 155,000 for the period 2007-2013. In general Project Officers believed that the estimates of jobs created had been based on the appropriate guidance. Projects managers have recently been asked to recalibrate what they now expect can be achieved by the end of the programme period. They estimate a further 47,920 jobs might be created. This would add a further 30.9% to the original programme target but still means that only 68% of what was originally believed possible will be achieved (at an average ERDF cost per gross job of EUR 20,600 compared to EUR 14,090 if the programme target had been met).

Part of the explanation for the significant variation between achieved and expected job creation has been the pernicious effects of the recession following the banking crisis of 2008. However, there does appear to be differences in the appraisal processes that have been used to establish the original programme targets by OPs. There are advantages in having a more standardised approach. The scope for improvement should be assessed. It also makes a lot of sense to build in some inherent sensitivity analysis and set ranges with confidence intervals attached.

The job creation indicator from ERDF is not used in any significant way by the UK national government. The substantial difference between the job creation estimates shown in the Core Indicator Table and the summed estimates from individual AIRs does not help matters. However, there appears to be a relatively simple reason for the difference. Each of the AIRs provides a separate file² that summarises the information from their output monitoring systems. Some of the AIRs Indicator Values (IVs) do not appear to translate their gross job created figures into Core Results. This means that they are thus not picked-up in the overall Core Headline indicator table.

There are clear advantages at the country level (England, Wales, Scotland and Northern Ireland) in setting-out how gross (and net) job creation, and where possible the cost per job created, from ERDF policy compares with that obtained from other regional development initiatives and what it all adds up to in tackling the underlying problems.

Those OP managers spoken to are familiar with the new definition of the common indicator for 2014-2020 and understand the definition of indicator 8 although there are some reservations as to how the guidance might be interpreted and a perceived need to add further qualification and definition where appropriate.

¹ Around 79% of the total number of projects in England and representing 85% of contracted expenditure to date and 92% of defrayed expenditure.

² The file is reported in "the system for fund management of DG Regio" (SFC system) and includes the Values for the core Indicators (IVs) for each programme.

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

This section considers the relative importance of jobs created as an indicator of outcome. It begins with a brief analysis by OP and programme priority. However, the main interest is to gauge importance by policy area. Since the data required to do this is not included in the UK Annual Implementation Reports (AIRs) it has been necessary to obtain information from Managing Authorities (MAs). At the present time the majority of the information has been obtained from the ten ERDF programmes in England using the Department of Communities and Local Government (DCLG) Management and Control Information System (MCIS). These account for just over 60% (EUR 3,280 million) of the total ERDF funding allocated to the programme for the United Kingdom for the period 2007-2013³ and thus provide a reasonable guide.

Relative Importance by Operational Programme

The amount of job creation expected has varied considerably by OP. One way of showing this is to express the jobs expected per million of ERDF EUR expended. Annex Table A1 shows this by programme. On this basis, the degree of actual job creation by the end 2011 varied across OPs from a low of just over 2 per EUR 1 million to a high of nearly 44. Some of this variation could be explained by differences in the focus of the programme and the degree to which job creation is a useful indicator of performance. The extent of the variation however, does tend to suggest there may be other reasons for it. The variation based on the original job forecast target is even bigger from 2 to 77.

Relative Importance by priority

Annex Tables A2 and A3 show the distribution of the actual and forecast job creation estimates by OP in the United Kingdom. Job creation is used across most priorities but is more common in those relating to innovation and knowledge, business growth and enterprise support in both the Convergence and Competiveness and Employment regions. There was substantial variation by OP and individual priority in the job creation achieved against target by the end of 2011. In the Convergence regions the average attainment was around 17%, but this varied from 21% in West Wales and the Valleys to a low of 6% in Cornwall and the Isles of Scilly. In the Competiveness and Employment regions the average was around 32%, varying from a low of 9% in the South West region to a high of 64% in the Lowlands and the Uplands. The only region that had exceeded its target was the South East in England.

Relative Importance by policy area

To assess the relative importance of the job creation indicator by broad policy area it has been possible to draw on information for the ten English ERDF regions from the English MCIS. This information has been provided to the Evaluation Team that is currently undertaking the ERDF Analytical Programme study of ERDF in England for HM Government⁴. The study team have allocated the 1,300 projects on the database to 18 policy categories. However, it should be

³79% of the total number of projects in England (representing 85% of contracted expenditure to date and 92% of defrayed expenditure).

⁴I am grateful to the MCIS team and the DCLG for provision of this research and Regeneris Consulting Ltd (and in particular Kate Downes and Ricardo Gomaz).

emphasised that this categorisation is not without its limitations⁵. The evidence represents the position as at end February 2013.

On the basis of this information across all the ten OPs in England⁶ the original gross job creation target was projected to be around 155,000. The total allocated ERDF for these regions is EUR 3,303.7 million and each EUR million would have been associated with nearly 47 jobs, an average of EUR 21,300 ERDF per gross job created. Since at the total programme level matched funding has been close to one each gross job would have cost around EUR 42,600 on this basis (it should, however, be emphasised that other outputs besides the direct jobs have been produced by the associated expenditure including a very significant number of jobs safeguarded).

Of the original 155,000 jobs target, around 32% is in the policy area of enterprise formation and entrepreneurship, 20% in access to finance and nearly 18% in SME competitiveness. Other policy areas had relatively small shares of the total direct job creation target.

Enterprise formation and entrepreneurship had managed to achieve nearly 60% of its original target by the end of February 2013. Projects seeking to improve SME competitiveness had secured around 43%. Many projects provide grants to help companies realise business opportunities and there is also extensive provision of business advice and consultancy.

Projects provided information on the likely future level of job creation that was now thought possible by the end of the programme period. When this is added to the jobs already created it is estimated that total job creation across the programme will be around 106,000 jobs, or just over 68% of the original target. One of the most substantial revisions has occurred in the policy area of access to finance where the level of overall achievement is now thought to end-up being closer to 47% of the original target.

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

This section considers issues around the definition of the job creation indicator, the guidance provided for collecting and aggregating the data, the content of the data available and its wider use.

Definition and methodology

Job creation is a widely used indicator across the sixteen ERDF OPs at the present time. It is a core indicator. The definition of the indicator and the methodology that should be used in its construction is well documented. This is based on a long, well established, tradition of the use of job creation as an indicator to assess the performance of a wide-range of economic development initiatives in the United Kingdom over many years.

Thus, in England, the 10 OPs adopted a definition whereby a job is counted as an output when a job is a *direct* consequence of the project supported by ERDF. It must be a new, permanent, paid, and measured in Full-time Equivalent (FTE) terms. New refers to the fact that the job should not

⁵ Projects can involve a mix of activities. The project description only allows a crude categorisation in some cases.

⁶ Representing 85% of ERDF contracted expenditure to date and 92% of defrayed expenditure to date.

have existed in the region, or with that employer in the region in the UK, before the intervention and should be a direct result of the intervention. Permanent refers to the job having a life expectancy of at least one year from the point of which it is created. FTE is defined as paid work of 30 hours or more per week and part time jobs are converted to FTE either on a pro-rata basis based on hours worked; or counting two part-time jobs as equalling one FTE where no other information is available. A new, permanent, FTE or equivalent, paid job is created/attracted to the region when the post is filled. The example given is when the job occurs as a result of Foreign Direct Investment. Seasonal jobs can be counted when they are seen as being 'integral to the project (for example the tourist sector), provided there is a contract of employment that will last for a minimum of 4 weeks per annum' (UK ERDF User Manual, Version 3). They are measured in FTE terms.

The guidance states that jobs are excluded that are regarded as being inputs to the project such as 'jobs to set-up or deliver the project, e.g. management/administrative staff, consultancies, or temporary contractors and also the construction jobs that are integral to the delivery of the project (e.g. those who remediate a site or construct premises), even if they last for more than a year' (ERDF User Manual, Version 3).

The guidance for the Scottish, Northern Ireland and Welsh programme is much the same with the addition of a definition of gross jobs referring to the total number of jobs created irrespective of the proportion of the project funded by the Structural Funds and before any adjustment for deadweight, displacement, leakage and multiplier effects (WDA, 2004/5, p.17; WEFO, 2005a). Those interviewed believed that those responsible for assessing and reporting the job figures understood the relevant definitions.

Content of data

There seems to be some variation in the extent to which full-time equivalence is used at the OP level. However, project business plans tend to utilise FTEs as they are part of the funding agreements. A distinction is made between temporary and permanent jobs as defined above. Those interviewed stated that jobs involved in the construction phase of projects were not included.

Respondents also indicated that the achieved figures should reflect actual outcomes and that processes exist to assess the reliability through audit of a sample of projects. Respondents stated that efforts were made to avoid double-counting and that this did not appear to be a problem. There was no attempt to capture the quality of the jobs. Respondents also made it clear that they had operated clear guidelines on what constituted a job created and how it differed from a job safeguarded or maintained. Equally, they believed that there was a clear distinction between jobs created by the ERDF and those created by the ESF. Where there did appear to be some ambiguity was the extent to which data included job creation as an indirect consequence of expenditure, although it is argued that there has to be a clear logic chain in place. The jobs expected to be generated by a project are estimated at the project appraisal stage.

Wider use of indicator

The UK Government does aggregate the data across programmes to produce a national running total but only as a broad guide. There is no evidence that the data is used in any significant way and it is not clear what the reasons are for this but one factor is that the UK Government abolished the Regional Development Agencies in England in 2010 and has since moved to adopt a Localism Agenda that is based more on Local Authority areas than regional boundaries. Scotland, Wales and Northern Ireland now have devolved assemblies. In the future local economic policy is to be based on Local Enterprise Partnerships and if data is collected for the areas which they represent then it will be necessary to ensure that more extensive plausibility checks are carried out. Inconsistencies exist in the current data but in some cases different data sources simply present different running UK totals because the data from some of the OPs has not been up-loaded into the core reference documents. Thus, by way of an example, the estimated achieved jobs by end of 2011 in the DG Regio Core Indicator Table is placed at 28,165 (Excluding Gibraltar⁷) but the number obtained by summing the evidence in the individual AIRs is around 55,567. The target gross job creation in the DG Regio Core Indicator Table is 123,147 (Excluding Gibraltar) but 203,200 when summed from the individual AIRs. The reason for this is that seven of the UK OPs have not been up-loaded into the Core-Indicator table. This would seem to be because the core IV data files for these OPs contained in the AIR folders do not contain any reference to the relevant core indicator data.

Jobs creation is a widely used indicator of non-EU related project and overall programme achievement across the United Kingdom and has been so for many years. It is currently being used for monitoring purposes for the National Enterprise Zone and Regional Growth Fund in England and also finds extensive application in the Devolved Administrations of Wales, Scotland and Northern Ireland.

It has been recognised that many difficulties can arise in the use of the indicator both to monitor and evaluate policy performance. This is because the jobs created by any policy initiative can vary considerably in terms of their quality and their durability. A number of approaches have been taken to adjust job created data to allow for this and it has been common to use job years and to give some broad indicator of quality by using salary or GVA data where this can be obtained.

3. Cost per job created

This section presents estimates of the unit costs of a job created using the policy classification as described in Section (1) and based on the data obtained for England. Unfortunately it has only been possible at this stage to undertake the calculation on the basis of the ERDF contribution for individual policy areas (it thus excludes the matched funding element). Funding from other government and the private sector is not always equally matched with ERDF so it is not simply a matter of doubling the ERDF contribution⁸. Two estimates of cost per job by policy area have been derived. The first is based on the total approved ERDF expenditure divided by the known

⁷ There seems to be a problem with the Gibraltar Core Headline indicator information with it looking like the 2011 figure and the target having been transposed.

⁸ In aggregate the 2007-2013 ERDF contribution is matched by £1,693 million (70%) and £715 million private sector (£1 = EUR 1.16747, 18 June 2013).

job creation by the end of February 2013 added to a project based estimate of how many further jobs it is believed will be created by the end of the programme. The second is based on the total approved ERDF expenditure divided by the total number of jobs that were forecast to be created by the project at the outset of the programme. Defrayed expenditure is that which has been spent by projects and on which ERDF programme has paid claims. This includes ERDF that has been invested in financial instruments (paid to the delivery bodies administering the funds) but this does not necessarily mean that the funds have been invested in projects. Approximately EUR 267 million is in JEREMIE⁹ and JESSICA¹⁰ (a fifth of defrayed expenditure at end of February 2013 of EUR 1,344 million). A gross job created is used across all the OPs 1,038 projects analysed within the framework¹¹.

Annex Table A5 shows that the overall ERDF cost per gross job is nearly EUR 21,000 on the basis of the actual jobs created by the end of February 2013 combined with an estimate of how many more jobs it is believed are likely to be created by the end of the programming period. In some cases the amount of job creation expected in the policy area was relatively small. Access to finance projects was expected to have an average ERDF cost per job of EUR 21,000. SME competitiveness projects around EUR 11,000. The estimate for enterprise formation and entrepreneurship is particularly low at around EUR 4,000. SME innovation is around EUR 26,000. Sites and premises, sector development and low carbon sector development have a higher ERDF cost per job, albeit on relatively smaller expected job creation estimates.

Annex Table A5 shows the cost per ERDF where the denominator is the original target estimate of jobs that it was believed would be created. The average ERDF cost per job falls to around EUR 14,000. A policy area like enterprise formation and entrepreneurship falls to around EUR 3,000.

It is perhaps to state the obvious that these estimates should be treated with considerable caution. The project classification is inevitably somewhat arbitrary. There is also a time lag between expenditure being defrayed and job-build up in a project. Also, many projects create a number of outputs, of which gross job creation is only one. The number of jobs expected to be safeguarded or maintained is very significant. The package of outputs produced varies considerably by project type. Some projects are relatively capital intensive and create relatively few jobs. A very wide range of different types of jobs have been created in terms of the average wage, the associated Gross Value Added and job duration.

4. The indicator of job creation in evaluations and AIRs

AIRs provide a summary of the total job creation target and how it is broken down by priority. However, the results are presented in a wide variety of different ways and in some cases it requires some effort to distinguish the total programme figures from the results that are given for individual priorities and in some cases separate sub-regional breakdowns. It is often quite difficult to find a concise discussion as to why the job creation results may not be in line with targets and possible reasons for this. Annex Table A1 showed that job creation has been slow against target given the effects of the recession. All of the AIRs in the United Kingdom would

⁹ Joint European Resources for Micro to medium Enterprises.

¹⁰ Joint European Support for Sustainable Investment in City Areas.

¹¹ Representing 79% of English total ERDF, 85% of contracted ERDF to date and 92% of defrayed expenditure.

benefit from a summary overview that discusses how job creation is varying across policy area and the possible causes of this. There is a lack of any reference to possible relevant benchmarks either from former ERDF programmes or any other policy initiatives.

There are clearly very large differences between the actual number of jobs that have been created and the target number that was expected to be created at the beginning of the programme. It is not clear why more attention is not given to a more systematic discussion of variances across project type. It would be of value to have more reflection on the approaches and assumptions made at the project appraisal stage and how they might be improved in the future.

Trying to understand more about progress in creating jobs from the files provided with the AIR files is a frustrating experience because of the considerable differences in the labelling and categorisation of the evidence across OPs. It is not possible to reconcile the information provided in the Core indicator Tables and the AIRs. However, there appears to be a relatively simple reason for this. Each of the AIRs has a separate file that summarises the information from the output monitoring systems. Some of the AIRs IVs have not translated their gross job created figures into Core Results and thus do not seem to be picked-up in the overall Core Headline indicator table.

Gross-to-net

Programmes that have received support from previous rounds of ERDF have been evaluated using a range of methodologies. The findings from these programmes have helped to develop policies in the current round. However, at the present time the majority of evaluations relating to the 2007-2013 are Mid-Term performance reviews and have made little, or no, attempt to establish the net additionality of job creation at either the project or programme level.

There have been a number of programme evaluations in the United Kingdom in recent years that have estimated net job creation effects. In most cases the methodology has been survey based but there are a number that have used econometric modelling where the alternative position is established through sometimes quite elaborate control group procedures. Thus, Hart et al. (BERR, 2008) examined the impact of around EUR 657.5 million of financial support to business under the old Regional Selective Assistance (RSA) Scheme and its replacement, the Selective Finance for Investment Scheme. They adopted an econometric approach that estimated the net effects of the policy using a control group that contained firms that had not received the assistance. They found that for some two years after the assistance the policy assisted firms had a faster growth in their GVA than the control group firms and this was a statistically different result. The RSA firms had a tendency to be younger, larger, more export orientated, more likely to be undertaking R&D and selling to the public sector than the non-supported firms. Deadweight was relatively low in the policy assisted firms. The researchers were able to conclude the scheme was delivering benefits to the UK economy through 'net additional employment, higher value-added and a set of wider benefits that demonstrate linkage into other regional priorities such as regeneration, skill enhancement, supplier networks and broader environmental agenda' (BERR, 2008). A further example is provided by the research undertaken by Criscuolo et al (2012) again relating to selective assistance to encourage business growth. The research methodology again involved the use of a non-assisted control group. They found that the policy was cost effective in creating net additional jobs.

Hart et al (BERR, 2008) examined the impact of RSA in Scotland using a methodology that involved both econometric modelling and interviews of business. Both approaches identified positive employment outcomes on the Scottish economy in the period 2004-2006 with low deadweight. The cost-per net additional job for the RSA scheme in Scotland ranged from EUR 18,000 to EUR 50,300 depending on the scale of support.

Research undertaken by Tyler for the Department for Business Innovation & Skills (BIS) (2009) assembled evidence from some 649 evaluations of policies designed to stimulate economic development and regeneration. Of these, 280 provided evidence on net job creation. Of these 121 covered some aspect of business development and competitiveness and 41 individual business supports. The mean net additionality ratio was 58.3% with a +/- at 95% Confidence level of 9.5%. This evidence suggested that for general business support the full public sector cost per net additional job ranged from a low of EUR 6,800 to a high of EUR 22,000 with a mean of EUR 14,500. For activity concerned to stimulate start-up and spin-outs the equivalent figures were a low of EUR 2,100, a high of EUR 20,500 and a mean of EUR 11,300. The Promotion of business enterprise research and development had estimates that had a low of EUR 39,800, a high of EUR 88,000 and a mean of EUR 64,000. Further discussion on variations in cost per job by policy area and how to value job benefits can be found in Tyler et al (2013).

Other studies have examined the impact of the Local Enterprise Grant Initiative (LEGI) in England. The programme was introduced in 2005 and over the period 2006-2009 involved the expenditure of EUR 93,600 million in 20 LEGI areas. Einio and Overman (2011) used panel data to identify the casual effects of the programme considering a period before and after the programme started and using control group areas that did not receive the assistance. The policy appeared to increase employment, create business and reduce worklessness in the assisted areas but the researchers suspected some displacement of economic activity. Another evaluation of the same programme suggested low levels of net job additionality with a total business expenditure cost per net additional businesses assisted of EUR 43,300 and the total business created cost per net additional business created in the local area was around EUR 42,000.

A study of ERDF Venture Capital and Loan Funds (VCLFs) that operated during that period (DCLG, DTI and Welsh Assembly Government, 2007) derived tentative estimates of the ERDF cost per job created and gross turnover created per unit of ERDF. Albeit at a relatively early stage in the lifetime of the Funds the evaluation concluded that the VCLFs were a relatively expensive way of providing additional job creation and turnover (DCLG et al, 2007). An evaluation of the Small Firms Loan Guarantee Scheme in England (Cowling, 2010) suggested that it was a relatively cost effective way of supporting small business growth with a cost per additional job of between EUR 6,400 and EUR 11,700.

In 2009 the Welsh European Funding Office (WEFO) commissioned a feasibility study of methodological approaches to undertake impact evaluation of 2007-2013 Structural Fund programmes in Wales (WEFO, 2010). Building on the recommendations from this research WEFO commissioned a study that sought to assess the effectiveness of the enterprise, business finance and R&D innovation aspects of the Welsh Competitiveness and Convergence programmes by undertaking a business survey of companies that had received assistance. Nearly 2,000 businesses provided the sampling frame and around 780 businesses were interviewed. 'Of 778

respondents around 83% stated that no jobs had been created in their business as a result of the assistance, with 128 saying that at least one job had been created. Of these 128, one job was reported as being created in 58 cases and between two and four jobs each in a further 48 businesses'. There were a total of 22 cases where five or more jobs had been created, including a manufacturing business which reported 70 new jobs' (WEFO, 2012). The survey revealed that an estimated 363 new jobs were created by assisted businesses as a result of ERDF support.

In Wales an evaluation has recently been undertaken of the Business Growth Programme that was established in October 2008 to improve business competitiveness, growth and job creation in both the Convergence and Competiveness and Employment regions. An impact analysis was undertaken of some 278 companies that had participated in the programme with the objective of establishing its net additional impact. The research showed that the assisted businesses were able to generate an additional EUR 91.7 million of turnover of which EUR 39.8 million was attributable to the programme itself. Some 678 additional jobs were suggested to be additional to the programme in the sample and when grossed-up to the total assisted population this would represent nearly 2,100 additional FTE jobs at a cost of around EUR 4,700 per additional job.

A Mid-Term Evaluation has also been recently undertaken of the Enterprise Network Project in Wales. The programme was established in 2008 in order to deliver an integrated programme of actions relating to public procurement, strategic supply chain development, business engagement, networking and youth entrepreneurship. The programme has been funded through the EU Convergence programme with EUR 14.8 million from ERDF matched by Welsh Government funding. The evaluation methodology was based on a survey of beneficiaries and key stakeholders. The evaluation identified had a net additional impact on the Welsh economy of some 770 jobs and EUR 42.4 million GVA, indicative of an estimated return on investment of EUR 5.8 net additional GVA per EUR 1.2 invested by the Welsh Government.

Most recently, HM Government has commissioned an ERDF Analytical Programme Review that is investigating the net job creation associated with ERDF over the period 2007-2013. The research is considering the relative merits of different approaches to establishing what would otherwise have happened in the absence of the ERDF support. Particular attention is being given to the use of econometric modelling using establishment based data sets.

5. Looking forward to the 2014-2020 programming period

Programme managers were aware of the new definitions of Common Indicators and were integrating them into their forward planning. Some specific comments were made. With respect to indicators 8 "Employment increase in supported enterprises" it was suggested that it might be better not to refer to assisted SMEs in the definition but rather to assisted 'enterprises'. Otherwise it would not be clear how non-SMEs firms would be captured. SMEs could be identified as a sub-group if required.

It was also mentioned that it would be better to define the term enterprise more clearly in the context of the Common Indicator and that there may be some confusion with the definition in its SME definition¹².

One commentator suggested that this might be achieved by expanding the definition of enterprise in #1 to include 'organisations with their own corporate identity and accounts'. The issue of what is precisely meant by 'enterprise' has implications for interpretation of other Core Indicators as well. Getting these definitional issues clear is of great importance and there are implications for the level of resources that should be committed to the tracking and monitoring of projects.

Another issue that was mentioned was exactly when the 'additional employment' would be counted (within 3 months of the activity, up to 3 years after etc) and what should be the procedure to monitor this. It was argued that this was easier to do for a new job but not so easy with additional employment. In regard to 'plausibly caught by the project' it was felt that this could be open to differing interpretations. It was also suggested that it would be desirable to set minimum activity thresholds for SME related outputs. Comment was also made about reference to 'industrial-technological characteristics' which might be difficult to provide support evidence under audit. It was suggested that it may be better to expect jobs to last for 12 months and apportion seasonal jobs to FTEs accordingly. Other issues were raised about the length of time projects should be tracked to see if they had gone bankrupt.

Overall, whilst it was recognised why there was a desire and advantages to move away from the standard job creation indicator there were a number of issues that would benefit from further clarification.

6. Further remarks

Job creation remains of central importance in monitoring and evaluating the achievements of ERDF. It is used extensively in other programmes besides those supported by ERDF. It has the advantage of being a well-understood measure of relative performance and is relevant to a number of policy areas. It can be aggregated across policy areas. There is also much experience in converting estimates of *gross* job creation into the *net* additional contribution that policy assistance has been able to make. However, it clearly has limitations. Its relevance varies by policy area and it should always be considered as one of a package of indicators. Jobs can clearly vary significantly in the contribution that they can make to the economic development of a regional economy and it is thus important that metrics based on job creation are accompanied by some indication of the durability and GVA (or even the salary) of the jobs.

The evidence presented in this Task Report has highlighted issues that have emerged from the use of the job creation indicator that should be addressed if a job creation indicator is to be used in future rounds of UK Cohesion policy. At the present time at the national level it is very difficult to reconcile the evidence on job creation in the UK Core Indicator table with the total derived by summing the estimates contained in the individual AIRs. Part of the reason for this appears to be that the gross output results provided by some OPs from their output monitoring systems are simply not translated into a core indicator and thus do not get reflected in the

¹² http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

overall national Headline Core indicator table. More effort needs to be given to reconciling the country sum with the individual parts and ensuring a consistent approach across all OPs. There would be advantages at the country level (England, Wales, Scotland and Northern Ireland) in setting-out how the levels of gross (and net) job creation, and where possible the cost per job created, from ERDF compares with those from other regional development initiatives and what it all adds up to in terms of tackling the underlying problems that are being addressed.

There is also very little summary narrative in the AIRs that allows a better understanding of why there is so much variance between the job creation figures reported and the original programme target, particularly at the level of individual priority and policy area. There is very little use of benchmarking data. More understanding of how the original target estimates were derived and the appraisal methodologies adopted would be of value.

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Interviews

Because of the devolved nature of the governance and delivery arrangements adopted in the United Kingdom it has been necessary to hold discussions with a number of policy officers from across England, Scotland, Wales and Northern Ireland. I am most grateful for assistance from:

Sue Baxter. Local Growth Directorate, Department for Business, Innovation and Skills.

Sarah Carling, North West, DCLG.

Paul Casey. Welsh European Funding Office. Welsh Assembly Government.

Iain Derrick, Evaluation Team, North East, DCLG.

Nick French. EU Programmes, Local Growth Directorate. Department for Business, Innovation & Skills.

Lewis, Gavin. Welsh European Funding Office. Welsh Assembly Government.

Richard Gill, South West, DCLG.

Maeve Hamilton. European Programmes. Department of Enterprise, Trade & Investment.

Christine Gough, Local Economies, Regeneration, and European Programmes (LEREP) Directorate. Department for Communities & Local Government.

Kathryn Helliwell. Research, Monitoring and Evaluation. Welsh European Funding Office. Welsh Assembly Government.

Ryan Jones. Welsh European Funding Office. Welsh Assembly Government.

Melissa Mackin. Scottish Government Compliance & Verification Team. European Structural Funds.

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Annex

Tables

Table A1 - Gross Jobs created as at end 2011, Gross jobs target (by end of programming period) and ERDF allocated for UK ERDF Cohesion policy 2007-2013

Operational Programme	Job creation as at 2011	Job target	ERDF allocated (EUR million)	job created/ERDF allocated	job target/ERDF allocated
Highlands and Islands	910	4,700	121.9	7.5	38.6
West Wales and the Valleys	7,068	33,200	1,250.4	5.7	26.6
Cornwall	990	15,412	458.1	2.2	33.6
Total Convergence	8,968	53,312	1,830.4	4.9	23.7
Lowlands ¹³	16,386	25,600	376.0	43.6	68.1
South East	202	180	23.7	8.5	7.6
East England	398	2,560	111.0	3.6	23.1
North East	4,940	10,185	375.7	13.2	27.1
London	453	4,016	181.9	2.5	22.1
West Midlands	5,851	10,519	399.9	7.7	26.3
North West ¹⁴	8,285	48,400	755.8	11.0	64.0
Yorkshire Humberside	3,290	24,108	583.6	5.6	41.3
East Midlands	1,999	8,600	124.7	16.0	69.0
South West	836	9,000	124.7	6.7	72.2
Northern Ireland ¹⁵	1,124	1,380	306.8	4.5	3.7
East Wales	2,835	5,340	72.5	39.1	73.7
Total Competitiveness and Employment	46,599	149,888	3,436.3	13.6	43.6
Total United Kingdom	55,567	203,200	36,193.4	15.4	56.1
Total UK as given in Core Indicator Table	32,808	123,997			

Source: AIR 2011.

¹³ The IV file in the Lowlands and Uplands Scotland MA refers to 13,182. The AIR is believed to contain the higher number contained in this Table but the relevant Headline Indicator Annex referred to in the AIR overview document is not provided in the AIR folder.

¹⁴ The North West AIR IV file in the AIR folder has 5,851 but the Summary Impact Table in the AIR has a figure of 8,285 that it is believed the individual priority job estimates add-up to.

¹⁵ The Northern Ireland figures have been the subject of some revision in recent years due to changes to some indicators. The Northern Ireland Core indicator file has a zero entry under the 01 Core Indicator row.

Table A2 - Gross Job Creation, Achieved and Target as at 2011 for UK ERDF Convergence Regions

Operating programme	Priorities	Achieved	Target	Achieved as %Target	% of tot OP job created tar	% of total OP funds (Union and Nat).
HIE	(1) Enhancing business competitiveness/commercialisation/innovation	166	2,200	7.5	46.8	40.8
	(2) Enhancing key driver of sustainable growth	731	1,300	56.2	27.7	31.6
	(3) Enhancing peripheral & fragile communities	13	1,200	1.0	25.5	25.1
	(4) Tech Ass					7.3
Total	Gross jobs created	910	4,700	19.4	100	100
West Wales and the Valley	(1) Building the knowledge base	357	10,000	3.6	30.1	25.7
	(2) Improving business competitiveness	6,495	11,000	59.0	33.1	12.6
	(3) Developing strategic infrastructure for a modern economy	12	1,000	1.2	3.0	32.1
	(4) Creating an attractive business environment	38	5,000	0.8	15.1	17.8
	(5) Building sustainable communities	166	6,200	2.7	18.7	10.9
	(6) Technical Assistance					0.9
Total	Gross jobs created	7,068	33,200	21.3	100	100
Cornwall & Isles of Scilly	(1) Innovation & R&D	37	2,187	1.7	14.2	20.9
	(2) Enterprise and Investment	712.5	5,474	13.0	35.5	27.6
	(3) Transport infrastructure	138	4,000	3.5	25.9	23.5
	(4) Unlocking the economic potential of place	103	3,751	2.7	24.3	24.4
	(5) Technical Assistance					3.6
Total	Gross jobs created	990	15,412	6.4	100	100
Total Convergence		8,968	53,312	16.8		

Source: AIRs.

Table A3 - Gross Job Creation Achieved and Target as at end 2011 for UK Competiveness and Employment Regions

Operating Programme	Priorities	Achieved	Target	Achieved as %Target	% of total OP funds (Un+Nat)	% allocated expenditure
Lowlands & Uplands Scotland (01)	(1) Research & Innovation	905	6,100	14.8	23.8	27.1
	(2) Enterprise growth	12,277	13,600	90.3	53.0	33.6
	(3) Urban regeneration	2,173	4,500	48.3	17.6	23.2
	(4) Rural development	1,031	1,400	73.6	5.5	14.0
	(5) Technical Assistance					2.0
Total	Gross jobs created	16,386	25,600	64.0	100.0	100.0
South East (02)	(1) Promoting sustainable production and consumption	202	180	112.2	100.0	96.0
	(2) Technical Assistance					4.0
Total	Gross jobs created	202	180	112.2	100.0	100.0
Northern Ireland (03) <i>(There was no quantified target set in the original Programme Document. Subsequent targets reported in the AIR have been exceeded. Issues around the recording of information that are being resolved. No target set in original Programme Document)</i>	(1) Sustainable competitiveness & innovation	1,380	1,124	122.8	-	52.1
	(2) Sustainable enterprise & entrepreneurship	Not available No jobs				34.2
	(3) Improving accessibility & protecting and enhancing the environment	Not available No jobs				12.4
	(4) Technical Assistance					1.3
Total	Gross jobs created	1,124	1,380			100.0
East England (04)	(1) Promoting innovation and knowledge transfer with intention of improving productivity	151	1,075	14.0	42.0	33.9
	(2) Stimulating enterprise & supporting successful business by overcoming barriers to business creation & expansion	218.5	775	28.2	30.3	29.6
	(3) Ensure sustainable development, production & consumption	76.6	710	10.8	27.7	33.3
	(4) Technical Assistance					3.2
Total	Gross jobs created	398	2,560	15.5	100.0	100.0
North East (05)	(1) Exploiting & enhancing innovation	601	3,605	16.7	35.7	53.0
	(2) Business growth & enterprise	4,338	6,580	65.9	3364.5	43.0
	(3) Technical Assistance					4.0
Total	Gross jobs created	4,939	10,185	48.5	100.0	100.0
London (06)	(1) Business innovative & research & promoting eco-efficiency	136	1,390	9.8	32.9	26.1
	(2) Access to new markets & finance	288	1,444	19.9	33.3	27.1
	(3) Sustainable place for business	29	1,182	2.5	33.8	42.9
	(4) Technical Assistance					3.8
Total	Gross jobs created	453	4,016	11.3	100.0	100.0
West Midlands (07)	(1) Promoting innovation, R&D	541	1,550	34.9	14.7	36.2
	(2) Stimulating enterprise development	5,304	7,969	66.6	75.7	33.8
	(3) Achieving sustainable urban development	6	1,000	0.6	9.5	25.5
	(4) Developing inter-regional activity					1.5
	(5) Technical Assistance					
Total	Gross jobs created	5,851	10,519	55.6	100.0	100.0
North West (08)	(1) Stimulating enterprise & supporting growth in target markets	2,925	19,900	14.7	41.0	27.1

Operating Programme	Priorities	Achieved	Target	Achieved as %Target	% of total OP funds (Un+Nat)	% allocated expenditure
	(new high value output target sectors)					
	(2) Exploiting innovation & knowledge (existing R&D science base)	319	13,200	2.4	27.2	27.1
	(3) Creating the conditions for sustainable growth (sites/premises)	84	8,500	1.0	17.5	20.7
	(4) Growing & accessing employment (linkages/regeneration etc)	4,957	6,800	72.9	14.0	21.1
	(5) Technical Assistance					4.0
Total	Gross jobs created	8,285	48,400	17.1	100.0	100.0
Yorkshire & Humberside (09)	(1) Promoting innovation and R&D	7	4,896	0.1	20.3	16.9
	(2) Stimulating & supporting successful enterprise	2,150	14,561	14.8	60.3	44.0
	(3) Sustainable communities	1,133	3,546	32.0	14.7	19.6
	(4) Economic infrastructure for a competitive economy	0	1,105	-	4.6	15.5
	(5) Technical Assistance					4.0
Total	Gross jobs created	3,290	24,108	13.6	100.0	100.0
East Midlands (010)	(1) Innovation & sustainable best practice	1,114	2,400	46.4	27.9	53.7
	(2) Sustainable economic & enterprise activity in disadvantaged communities	885	6,200	14.3	72.0	42.3
	(3) Technical Assistance					4.0
Total	Gross jobs created	1,999	8,600	23.2	100.0	100.0
South West (011)	(1) Innovation & knowledge	59	3,200	1.8	35.6	36.1
	(2) Enterprise & growth	425	4,300	9.9	47.8	36.1
	(3) Urban enterprise	352	1,500	23.5	16.7	24.1
	(4) Technical Assistance					3.7
Total	Gross jobs created	836	9,000	9.2	100.0	100.0
East Wales (012)	(1) Knowledge & innovation for growth	65	1,200	5.4	22.5	44.6
	(2) Business competitiveness & growth	2,770	4,000	69.3	74.8	19.5
	(3) Tackling climate change	0	100	-	1.9	19.5
	(4) Regeneration for growth	0	40	-	0.7	24.8
	(5) Technical Assistance					1.6
Total	Gross jobs created	2,835	5,340	53.1	100.0	100.0
Total Competiveness		46,598	149,888	31.1	-	-

Source: AIRs 2011.

Table A4 - Job Creation, Targets, Achievements - Approved and Defrayed ERDF Expenditure for ERDF Cohesion Policy in England 2007-13

	Target	% of target total	Achieved to date	Achieved as % of target	Project based estimate of likely future achievements	Project estimate as % of original target	Achieved to date + Project based estimate of likely future achievements	Achieved to date + Project based estimate of likely future achievements/ Target (%)	Approved project investment (i.e. total committed EUR million)	Approved project investment as % Total	Defrayed to date % total committed
<i>RTDI and linked activities</i>	11,490	7.4	2,660	23.2	5,650	49.2	8,310	72.3	258	11.8	64.5
Strengthening the R&D Base	4,030	2.6	760	18.9	1,320	32.8	2,080	51.6	132	6.0	69.7
Sector Development	7,460	4.8	1,900	25.5	4,330	58.0	6,230	83.5	126	5.8	59.5
<i>Enterprise Support inc. ICT</i>	128,840	83.1	51,180	39.7	38,180	29.6	89,360	69.4	1,518	69.4	64.0
Sites and Premises	7,840	5.1	680	8.7	5,310	67.7	5,990	76.4	485	22.2	62.9
Access to Finance	31,900	20.6	6,210	19.5	8,770	27.5	14,980	47.0	302	13.8	89.4
SME Competitiveness	27,520	17.8	11,860	43.1	8,770	31.9	20,630	75.0	225	10.3	56.4
Infrastructure	4,410	2.8	20	0.5	4,230	95.9	4,250	96.4	188	8.6	55.6
SME Innovation	6,910	4.5	2,300	33.3	3,680	53.3	5,980	86.5	156	7.1	56.4
Enterprise Formation and Entrepreneurship	48,940	31.6	29,270	59.8	7,250	14.8	36,520	74.6	149	6.8	51.0
Social Enterprise	1,320	0.9	840	63.6	170	12.9	1,010	76.5	13	0.6	33.3
<i>Human Resources</i>	2,550	1.6	660	25.9	190	7.5	850	33.3	15	0.7	60.0
Access to Employment	2,550	1.6	660	25.9	190	7.5	850	33.3	15	0.7	60.0
<i>Environment</i>	1,560	1.0	30	1.9	50	3.2	80	5.1	64	2.9	59.4
Public Realm	1,560	1.0	30	1.9	50	3.2	80	5.1	64	2.9	59.4
<i>Energy</i>	6,470	4.2	2,950	45.6	2,880	44.5	5,830	90.1	181	8.3	48.6
Resource Efficiency	4,200	2.7	2,210	52.6	2,530	60.2	4,740	112.9	116	5.3	54.3
Low Carbon Sector Development	2,270	1.5	740	32.6	350	15.4	1,090	48.0	65	3.0	38.5
<i>Territorial development</i>	1,360	0.8	164	12.1	780	57.4	980	72.1	57	2.6	68.4
Tourism	1,310	0.8	160	12.2	770	58.8	930	71.0	54	2.5	70.4
Community	50	-	40	80.0	10	20.0	50	100.0	3	0.1	33.3
<i>Other</i>									9	4.1	54.7
<i>Grand Total</i>	155,010	100.0	58,020	37.4	47,920	30.9	105,940	68.3	2,186	100.0	61.5

Source: Derived from MCIS DCLG as part of the ERDF Analytical Programme Review.

Table A5 - Job Creation Achieved and Estimated - Approved and Defrayed ERDF Expenditure: Cost per Job Estimates by Policy Area for ERDF Expenditure in England 2007-13

	Achieved to date	Project based estimate of likely future achievements	Achieved to date + Project based estimate of likely future achievements	Approved project investment (i.e. total committed EUR million)	Defrayed to date (EUR million)	Cost per job (EUR thousands)	Cost per job (EUR thousands)
	(1)	(2)	(3)	(4)	(5)	(4/3)	<i>if original target achieved</i>
RTDI and linked activities	2,660	5,650	8,310	259	167	31.2	22.5
Strengthening the R&D Base	760	1,320	2,080	132	92	63.5	32.8
Sector Development	1,900	4,330	6,230	126	75	20.2	16.9
Enterprise Support incl. ICT	51,180	38,180	89,360	1,518	972	17.0	11.8
Sites and Premises	680	5,310	5,990	485	305	81.0	61.9
Access to Finance	6,210	8,770	14,980	302	270	20.2	9.5
SME Competitiveness	11,860	8,770	20,630	225	127	10.9	8.2
Infrastructure	20	4,230	4,250	188	97	44.2	25.2
SME Innovation	2,300	3,680	5,980	156	88	26.1	22.6
Enterprise Formation and Entrepreneurship	29,270	7,250	36,520	149	76	4.1	3.0
Social Enterprise	840	170	1,010	13	9	12.9	9.9
Human Resources	660	190	850	15	9	17.7	5.9
Access to Employment	660	190	850	15	9	17.7	5.9
Environment	30	50	80	64	38	0.8	41.0
Public Realm	30	50	80	64	38	-	-
Energy	2,950	2,880	5,830	181	88	31.1	28.0
Resource Efficiency	2,210	2,530	4,740	116	63	24.5	27.6
Low Carbon Sector Development	740	350	1,090	65	25	59.6	28.6
Territorial development	200	780	980	57	39	58.2	41.9
Tourism	160	770	930	54	38	58.1	41.2
Community	40	10	50	3	1	60.0	60.0
Other				95	30		
Grand Total	58,020	47,920	105,940	2,186	1,344	20.6	14.1

Source: Derived from MCIS DCLG as part of the ERDF Analytical Programme Review.