

THE EUROPEAN SOCIAL FUND AND THE EMPLOYMENT AT THE EUROPEAN LEVEL

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Abstract: The economic and social cohesion was in the last decade one of the priority subjects of the European Agenda. In an enlarged European Union, ESF has to contribute to the growth of the employment of the internal market by facilitating the mobility and the adaptation of the labour force, determining the growth of the living standard of the European citizens and the consolidation of the social and economic cohesion.

Key words: Social European Fund, employment, economic growth

The economic and social cohesion was in the last decade one of the priority subjects of the European Agenda. By promoting the cohesion, EU encourages the harmonious and sustainable development, the enlargement of the labour force and the investments in the human resources, the protection of the environment, the elimination of the inequalities and the provision of equal chances. The enlargement of the European Union up to 25 Member States and recently up to 27, represents a challenge for the competitiveness and internal cohesion of the European Union.

The extension has led to the growth of the economic development differences between the old and the new Member States, where the development level is much lower. Together with the accession to the European Union of the new members, the Gross Domestic Product (GDP)/capita from EU went down with 12.5%. At the same time, one of the four NUTS II regions of the European Union has a lower GDP/per capita than 75% from the community average.

There are major disparities both between the Member States, as well as between the regions due to the degree of economic development, and this situation is also proven through the fact that the most developed 10 regions have a 5 times higher GDP than the less developed regions. These disparities were increased by the accession, in 2004, of the 10 new Member States. Under the new circumstances, 61% from the population of the European Union lives in regions with a lower GDP/per capita than 50% from GDP/capita in a European environment.

The reduction of the socio-economic disparities between the Member States and the regions is one of the priorities of the European Union. Taking advantage from a budgetary allocation of 336.1 milliards Euro for the period 2007-2013 (almost 35% from the Budget of the European Union), the cohesion policy is on the second place among the community policies, after the common agricultural policy. The final purpose followed by the cohesion policy is represented by the improvement of the Common Market and by the growth of the competitiveness of the European economy on an international level.

The cohesion policy has as a purpose the reduction of the inequalities between the EU regions and their sustenance for a better use of their economic and human potential in order to obtain a durable development.

Economic Theories – International Economic Relations

GDP/capita in 2004(EU 27)

The wealthiest regions- GDP/capita			The poorest regions -GDP/capita		
1	Inner London (UK)	303	1	Nord-Est (RO)	24
2	Luxembourg (LU)	251	2	Severozapaden (BG)	26
3	Bruxelles(BE)	248	3	Yuzhen tsentralen (BG)	26
4	Hamburg (DE)	195	4	Severen tsentralen (BG)	26
5	Wien (AT)	180	5	Sud-Muntenia (RO)	28
6	Île de France (FR)	175	6	Sud-Vest Oltenia (RO)	29
	Berkshire, Buckinghamshire &			Severoiztochen (BG)	
7	Oxfordshire (UK)	174	7		29
8	Oberbayern (DE)	169	8	Yugoiztochen (BG)	30
9	Stockholm (SE)	166	9	Sud-Est (RO)	31
10	Utrecht (NL)	158	10	Nord-Vest (RO)	33
11	Darmstadt (DE)	157	11	Lubelskie (PL)	35
12	Praha (CZ)	157	12	Podkarpackie (PL)	35
13	Southern & Eastern (IE)	157	13	Centru (RO)	35
14	Bremen (DE)	156	14	Podlaskie (PL)	38
15	North Eastern Scotland (UK)	154	15	Vest (RO)	39

Source: Eurostat, 19.02.2007

Beyond the GDP statistics, there are some complex inequalities between the Member States and the other regions between the differences regarding:

- Infrastructure
- The quality of the environment
- The unemployment and the abilities of the labour force which are important for the development
- The dimension and the diversity of the business
- The innovation levels and the use of technology in business

At the same time, the whole European Union has to respond the challenges resulted after the acceleration of the economic reorganization due to the globalization, to the openness of the markets, the technological revolution, the development of the economy and the knowledge-based society, the ageing of the population and the growth of the migrating phenomenon.

Moreover, the economic growth in EU started to slow down with 2001. As a consequence the unemployment rate grew in many parts of the Union, causing different social implications. In a future perspective of re-launching, the Union should fully exploit the opportunities given by the current trends of economic improvement.

The structural instruments which help at the implementation of the cohesion policy are:

The European Social Fund (ESF): finances projects which sustain the growth of the adaptability of the labour force and of the enterprises, the decrease of the unemployment rate, the promotion of the social inclusion, the extension and

improvement of the investments in the human capital (education and professional training) and strengthening the institutional capacity and the efficiency of the public administration and services at a national, regional and local level;

The European Regional Development Fund (ERDF): finances projects which support investments in technological research and development, the protection of the environment, the prevention of the risks, tourism, transport, energy, health (infrastructure), local development projects, innovation and entrepreneurship, as well as support for investments in SMEs;

The Cohesion Fund (CF): finances projects which aim at the development of trans-European transport networks, major projects of environment infrastructure and fields which can provide sustainable benefits in what the protection of the environment is concerned.

Besides the structural instruments which reduce the disparities between the regions, the European Union offers the Member States other two grants:

- The European Fund for Agriculture and Rural Development (EFARD)
- The European Fishing Fund (EFF)
- The objectives of the cohesion policy are the following:

1. **Convergence**

Being in the centre of the European cohesion policy, the *Convergence* objective mainly aims at the assistance of the less developed states and regions where the GDP/capita is lower than 75% from the EU-25 average. The regions which are statistically affected (where the GDP/capita is lower than 75% from the EU 15 average) are temporarily eligible. Support shall also be given to the countries where the National Gross Income (NGI)/capita is lower than 90% from the European average, as well as to the regions which are statistically affected. The objective will be financed from the three objectives.

2. **Competitiveness and fighting unemployment at a regional level**

This objective addresses all Member States of the European Union and shall be funded from **ERDF** and **ESF**. Through the subsidies provided by **ERDF** one aims at the assistance of the regions **in order to prevent and promote the changes, having as a purpose the growth of the competitiveness and their attraction**. The priority themes of the programs financed from **ERDF** shall be **the innovation and the economy-based knowledge**, the protection of the environment and the provision of economic services of general interest. The subsidies offered by **ESF** have as a main purpose **to promote the occupation for the labour force and to strengthen the social inclusion**.

3. **The territorial cooperation at a European level**

This objective has as its purpose financing the territorial cooperation on community problems which are concerned with key priorities of the European Union, as they were identified in the revised Lisbon Strategy. This objective will be exclusively financed from **EDFR**. The amounts given for each objective of the programming period 2007-2013 are presented in the table.

The structural funds will be concentrated on the Member States and regions which are less developed, on the basis of a transparent and well-justified allocation system and of a common set of indices. As compared to the previous rate of 70% given to the less developed regions, the concentration rate of 78.5% proposed for the new generation of programs destined for these regions is even more indicated.

Table 1 Budgetary allocations 2007-2013 for the objectives of the cohesion policy

Objective	Allocated percentage	Amount-mld. EURO	Of which assigned for the reimbursement reserve
Convergence, from which	78,54	263,97	6,00
- for the regions with GDP/capita<75% from the EU average – for the regions which are statistically affected – for the states with GNI/capita<90% from the EU average – for the far-away regions	67,34 8,38 23,86 0,42	177,76 22,12 62,98 1,11	5,33 0,67
Competitiveness and fighting unemployment:	17,22	57,88	1,74
- for the regions which are not covered by the two categories of the convergence objective – regions which were covered by the 1 Objective in the 1260/1999 regulation and which are not included in the convergence objective according to the new rules.	83,44 16,56	48,30 9,58	1,45 0,29
Territorial Cooperation	3,94	13,24	
- Trans-border cooperation, ERDF contribution to the trans-border component of the Neighbourhood and Partnership instrument and of the Pre-Accession-trans-national cooperation instrument – Networks for cooperation and exchange of experience	35,61 12,12 47,73 4,54	4,71 1,61 6,32 0,60	
Technical assistance	0,3	1,01	
TOTAL		336,10	7,73

Source: „ Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund", COM(2004)492 final

For the “convergence” objective, the allocations were granted on the basis of an eligible population, of the degree of prosperity at a national and regional level and of the unemployment rate in the considered regions. For the “regional competitiveness and the occupation of the labour force” the allocation was granted according to the eligible population, the degree of prosperity at a national and regional level, the unemployment rate and the density of the population.

The cohesion policy should address the EU economy and territory, as a whole and should not be limited just to grant support for the poor regions. This is an aspect which can be related to solidarity, but also to the sustenance of the development potential.

For this purpose, the European Commission has proposed that all the regions should respect first of all the implementation of the Lisbon and Gotheburg agendas. The

European Commission does not propose any more the placement, at a community level, of the regions which are outside the “convergence” objective (as it happened up to 2006 in the frame of the Objective 2) because this thing also presupposed the fact that the concentration was approached only from a micro-geographical point of view. While the geographical concentration of the resources from the most affected regions has to remain an essential part of the future efforts, one has also to recognize the fact that the perspectives of these regions are closely connected to the development of the whole region.

Table 2 Financial allocations of the structural sustenance on objectives in the period 2007-2013

Country	Convergence			Regional Competitiveness and Employment		European Territorial Cooperation	Total
	Cohesion Fund	Convergence	Phasing-out	Phasing-in	Regional Competitiveness and Employment		
Belgium			638		1 425	194	2 258
Bulgaria	2 283	4 391				179	6 853
Czech Republic	8 819	17 064			419	389	26 692
Denmark					510	103	613
Germany		11 864	4 215		9 409	851	26 340
Estonia	1 152	2 252				52	3 456
Ireland				458	293	151	901
Greece	3 697	9 420	6 458	635		210	20 420
Spain	3 543	21 054	1 583	4 955	3 522	559	35 217
France		3 191			10 257	872	14 319
Italy		21 211	430	972	5 353	846	28 812
Cyprus	213			399		28	640
Latvia	1 540	2 991				90	4 620
Lithuania	2 305	4 470				109	6 885
Luxemburg					50	15	65
Hungary	8 642	14 248		2 031		386	25 307
Malta	284	556				15	855
The Netherlands					1 660	247	1 907
Austria			177		1 027	257	1 461
Poland	22 176	44 377				731	67 284
Portugal	3 060	17 133	280	448	490	99	21 511
Romania	6 552	12 661				455	19 668
Slovenia	1 412	2 689				104	4 205
Slovakia	3 899	7 013			449	227	11 588
Finland				545	1 051	120	1 716
Sweden					1 626	265	1 891
Great Britain		2 738	174	965	6 014	722	10 613
Inter-regional Cooperation						445	445
Technical Assistance							868
Total	69 578	199 322	13 955	11 409	43 556	8 723	347 410

Source: European Union, Regional Policy, Cohesion Policy 2007-13 National Strategic Reference Frameworks

The European Social Fund (ESF) « the age dean » of the European structural funds was created in 1960 on the basis of the Rome Treaty and underwent some successive reforms. It sustains the measures which aim at the prevention and fight of the unemployment, the development of the human resources and the acceleration of the integration of different social groups on the labour market so that they can be assured: a high level of the labour force, equal chances between man and women, sustainable development, economic and social cohesion.

The European Social Fund is on the structural funds which were created in order to reduce the development differences between the Member States and their regions of the European Union and to help them reach a higher living standard. They represent the financial instrument with which the European Employment Strategy is implemented, having as an objective the creation of better working places and the provision of abilities and competencies which are superior to the employees or to the persons who are searching for a job. ESF has invested for 50 years in programs destined for the development of the abilities and the employment in the EU Member States.

The rule of the European Parliament and Council no. 1081/2006 regarding the European Social Fund proposes the domains and principles according to which the development of the human resources will be accomplished for the next period. ESF finances the following priorities:

The growth of the adaptability of the labour force, of the enterprises and of the entrepreneurs in order to sustain the economic changes through:

a. the promotion of learning during the lifetime and the growth of the investments in the human capital in order to provide the access for training, the development of the skills and professional competences, the dissemination of the CAT tools, e-learning, the promotion of the entrepreneurship and the innovation as well as the initiation in business;

b. the elaboration and the dissemination of some innovative and more productive forms of labour organizing, the identification of the competencies and professions required by the labour market, the development of the services which support the employment and training.

The encouragement of the access to employment and sustainable inclusion on the labour market for the persons who are searching for a job and for the inactive persons, as well as the prevention of the unemployment especially in the case of the long-term unemployed and the young people by the means of:

a. implementing active and preventive measures as for example the personalized formation, searching for a job, reorientation and initiation in business;

b. the access to the labour force market by increasing the participation of the women, and the emigrants;

c. modernizing and consolidating the public institutions and services related to employment.

Supporting the social inclusion for the disabled persons in order to promote their integration on the labour market and to fight against all the forms of discrimination from the labour market with the help of:

a. the integration and the re-introduction of the labour market of the disabled persons using employment measures in the field of the social economy, the facilitation of the access to education and professional formation;

b. the diversity at the working place and fighting against the discrimination on the labour market.

The extension and the improvement of the investment in the human capital by elaborating and implementing the reforms in the formation and educational systems as well as the creation of networks between high education institutions, research and development centres and enterprises.

Promoting the partnerships on a national, local and trans-national level by collaborating the important actors in order to support the reforms in the field of employment and inclusion on the labour market. In the programming period 2007-2013, on the level of the European Union, there are almost 75 mld. € for ESF for the projects regarding the development of the human capital and of the growth of the participation on the labour market. This amount is supplemented from the own contribution and from public and private resources and it is different according to each objective of a Member State or region from the European Union.

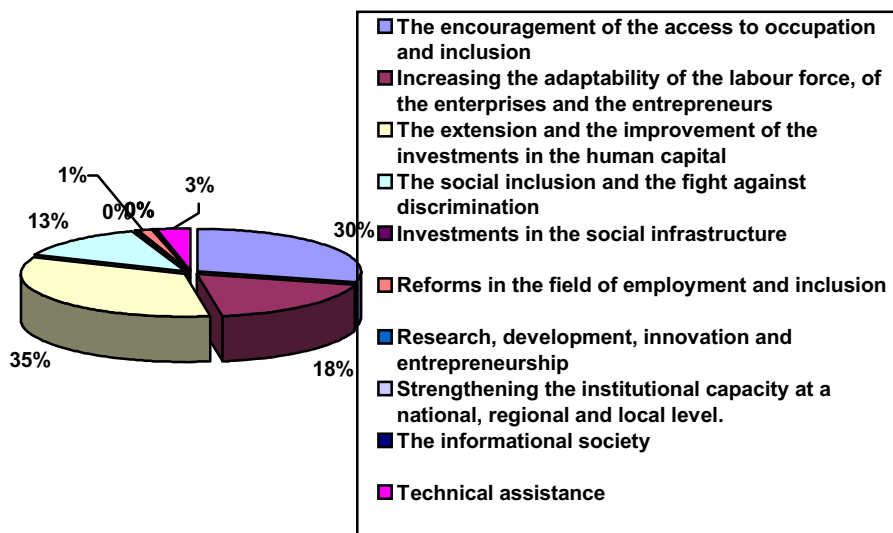


Figure 1 The Allocations of the European Social Fund on destinations in the period 2007-2013, EU 27

Source: European Union, Regional Policy, Cohesion Policy 2007-2013 National Strategic Reference Frameworks

ESF as the other structural funds respects some principles that are:

Complementarities, coherence, coordination and conformity. These funds will provide complementary assistance for the local and national actions, integrating them in the priorities of the Union. The coherence is set through the strategic orientations of the Community with the help of the national frame of strategic reference and the operational programs. According to each one's responsibility the Commission and the Member States will provide the coordination between the assistance offered by the Cohesion Policy (CF, ERDF,ESF) the Common Agricultural Policy (EAFRD, EFF), the interventions of the European Investment Bank and other financial instruments. The

operations financed by the means of the funds will have to comply with the regulations of the Treaty and of other normative acts which were adopted.

Programming. The achievement of the objectives of allocating the structural funds will be supervised by the means of the multi-annual programming process, on different levels including the identification of the priorities, the financing and the management and control system.

Partnership. The achievement of the objectives of the funds will be supervised in the frame of a close collaboration between the Commission and each Member State. Each Member State will organize any time necessary and according to the national practices and regulations, partnerships with organizations as:

- a) Public authorities or non-public local, urban and regional authorities;
- b) Social and economic partners;
- c) Any other approved body representing the civil society, partners in the field of the environment protection, non-governmental organizations as well as other organizations responsible for the promotion of the gender equality.

Each Member State will designate the most important partners at a local, regional and national level in different fields as for example the economical, social and environmental field according to the practices and national regulations, taking into account the necessity of promoting the gender equality and the sustainable development by integrating the new normative acts for the protection of the environment. The partnership should be operational for different levels of preparation, implementation, supervision and control of the operational programs.

Territorial level of implementation. Implementing the operational programs will be the responsibility of the Member States and will be accomplished at the best territorial level according to their specific institutional system.

Proportional intervention. The financial and administrative resources used by the Commission and the Member States for the adoptions of the Funds are proportional with the total sum of the necessary expenses for an operational program.

Shared management. The budget of the European Union given to the Funds is executed in the frame of the management shared between the Member States and the Commission. The Commission assumes the responsibilities of execution for the general budget of the European Union according to the following stipulations:

- a) The existence and the good functioning of the management and control systems should be provided in the member States;
- b) It interrupts or totally suspends the payments in the case of some disorders in the national management and control system and applies any financial correction which is requested;
- c) It provides the reimbursement of the partial payments and allows for the withdrawal of the budgetary commitments.

Additionality

- a) The contribution of the structural Funds can not be substituted to the public structural expenses or expenses which can be assimilated from a Member State;
- b) For the regions included in the convergence objective, The Commission and the Member State set the level of the public expenses or for the expenses which can be assimilated by the Member State during the programming period. The level of the expenses from each Member State is one of the elements included in the decision of the Commission regarding the strategic reference frame;

c) The level of the expenses mentioned under line b) is at least equal with the sum of the annual average expenses in real terms along the previous programming period.

Gender equality and non-discrimination.

The Member States and the Commission provide the promotion of the equality between men and women and the integration of the principle of equality of chances in their respective field for each of the different steps of the Funds: The Member States and the Commission take adequate measures in order to prevent any discrimination based on sex, race or ethnic origin, religion or beliefs, handicap, age or sexual orientation for each of the different steps of applying the Funds and especially in what the access to the Funds is concerned. The access of the disabled persons is one of the criteria which have to be respected in order to define the operations which are co-financed from the Funds and which have to be taken into account for each of the steps in the implementation of the Funds.

Sustainable development. The objectives of the funds are respected in the frame of the sustainable development and the promotion of the objective of protection and improvement of the environment.

There were made a series of studies, on the level of the European Union, regarding the estimated impact of the structural funds on the economic growth and on the occupation of the labour force. So, the Hermin model was used in order to simulate on the data from 2005 the evolutions at the level of the year 2013.

Table.3 Simulation, with the help of the Hermin model of the impact of the Structural Funds on the economic growth, productivity and employment rate

Country	GDP growth (%)	Productivity	Impact on the employment	
			Percentage	Created working places (thousands)
Czech Republic	10,9	2,3	8,3	407
Slovakia	10,9	2,3	8,3	Nd
Hungary	8,4	4,1	4,5	157
Poland	9,8	5,7	4,0	536
Slovenia	6,8	2,7	4,3	40
Lithuania	11,1	5,8	4,9	Nd
Latvia	12,4	6,1	6,3	63
Estonia	11,1	5,8	4,9	29
Bulgaria	11,8	7,0	5,0	Nd
Romania	11,8	7,0	5,0	472
Portugal	2,8	1,7	1,2	59
Greece	1,2	0,5	0,7	28

Source: European Commission - Regional Policy Directorate-General, Investing in Europe's Member States and regions, http://europa.eu.int/comm/regional_policy

As one can see from the table, the two countries Romania and Bulgaria, which acceded in 2007, register the highest possibilities of GDP growth and of the productivity and create many working places: 472 thousand in Romania. In what the number of new working places is concerned, Poland and the Czech Republic are also situated on a high place.

As a consequence, even in an enlarged European Union; ESF has to contribute to the growth of the employment of the internal market by facilitating the mobility and

the adaptation of the labour force, determining the growth of the living standard of the European citizens and the consolidation of the social and economic cohesion.

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