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Ex-ante Evaluation

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a European Union Programme for Social Change and Innovation

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1. INTRODUCTION

The Directorate General for Employment, Social Affairs and Inclusion is designing the proposal of the Commission for a new European Union Programme for Social Change and Innovation for the period 2014-2020. The new programme provides for the continuation and development of activities currently carried out under the PROGRESS programme (2007-2013), EURES network and the European Microfinance Facility (established in 2010).

The proposal for the new programme has budgetary and resource implications, therefore an ex- ante evaluation is required in accordance with Article 22 of the Financial Regulation.

The overall aim of the new programme will be to contribute to the implementation of the Europe 2020 Strategy, its mutually reinforcing headline targets and Integrated Guidelines by providing financial support for the European Union's objectives in terms of promoting a high level of employment, guaranteeing adequate social protection, fighting against social exclusion and poverty and improving working conditions.

With a proposed budget of € 958.19 million, the programme will seek to achieve the following objectives:

(a) Strengthen ownership of the Union objectives in the employment, social and working conditions fields among key Union and national policy-makers, as well as other interested parties in order to bring about concrete and coordinated actions at both Union and Member State level;

(b) Support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, by promoting good governance, mutual learning and social innovation;

(c) Modernise Union law in line with the Smart Regulation principles and ensure that Union law on matters relating to working conditions is effectively applied;

(d) Promote workers' geographical mobility and boost employment opportunities by developing Union labour markets that are open and accessible to all;

(e) Promote employment and social inclusion by increasing the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and by increasing access to finance for social enterprises.

2. PROBLEM ANALYSIS AND NEEDS ASSESSMENT

This section demonstrates the need for a public programme, and forms the basis for the programme design and delivery.

2.1. Global policy challenges

In the area of social and employment policy, the EU continues to face complex socio-economic problems, such as

- high unemployment rates, especially among the low-skilled, older workers, migrants and people with disabilities;
- an increasingly fragmented labour market, featuring the emergence of more flexible work patterns and other challenges that have an impact on job security and working conditions, including gender pay gap and other inequalities in employment;
- a shrinking workforce and increasing pressure on social protection systems as a result of demographic change (ageing population);
- an unacceptable high number of people living below the poverty line and in social exclusion.

These challenges have been compounded by the recent economic and financial crisis, which has hit all Member States and regions in the EU, leading to record unemployment levels in some Member States, especially among low skilled and young people.

The crisis also highlighted close links and spill-over between EU-27 economies, especially in the euro area, which means reforms or the lack of them, in one country, affect the performance of the others. Common action taken by the EU as a response to the crisis, particularly through the adoption of the European Economic Recovery Plan and common action to stabilise the banking system, proved to be effective, which means that coordinated actions at the EU level are more effective in addressing these challenges than individual actions of single Member States.

To be cost-effective, reforms also need to be as far as possible based on evidence. By involving policy-makers and other stakeholders in a collective learning process and by participating in developing and testing new approaches greater acceptance, ownership of, and commitment to, the Europe 2020 agenda can be achieved. In this context, social innovation and social experimentation can be powerful tools to guide the reforms and policy adaptations needed to implement Europe 2020.

However, the development and dissemination of a social innovation approach on a larger scale in the European Union is hampered by:

- insufficient knowledge of the needs and capabilities of civil society organisations, social enterprises and social entrepreneurs and public sector organisations;
- fragmentation of efforts and resources, lack of transparency and visibility, limited financial support and insufficient technical skills that can support organisations to develop and deliver social innovations;

- low levels of involvements of citizens and business[1];
- poor diffusion, and little scale-up of good practices;
- poor methods of impact evaluation of actions and policies[2].

While actions to tackle socio-economic problem areas are primarily the responsibility of the Member States and regions and have to be taken closest to the citizen at national and sub-national levels, the EU has a role to play in putting the need for specific reforms on the agenda, informing about barriers to change and opportunities' how to overcome these, ensuring that existing European level rules are complied with, stimulating sharing of good practice and mutual learning, and supporting social innovation and Europe-wide approaches, where there is clear value added for European solutions.

2.2. Specific problems – rationale for EU intervention

2.2.1. The Progress programme

The key issue for the EU social and employment policy, within the EU's limits of competence, is that of ensuring collective action and effective policy co-ordination among the EU Member States. The fundamental framework for addressing this issue is provided within the Treaty (TEU) itself, which clearly sets out two principal types of action by the Union, namely: a) co-ordination (adoption of measures designed to encourage co-operation between Member States); and b) legislation (adoption, by means of directives, minimum requirements for gradual implementation).

The determination to ensure greater policy co-ordination across the EU was recently re-affirmed at the most strategic level by the Europe 2020 Strategy. Previous experience in fostering the co-operation of the Member States in the employment and social affairs area points to a number of factors that influence the success of co-ordinated policy response to common socio-economic challenges. These include

- consistent and sufficient conceptualisation of key factors and their interdependencies behind the socio-economic problems (e.g., how to explain in-work poverty);
- consistent terminology and measurements to allow for monitoring and benchmarking (e.g., how to define and measure poverty); as
- comparable data to evaluate the relative importance of variables identified as influential on outcomes of interest (e.g., systematic monitoring of the situation of young people not in employment education or training, NEETs);
- convergence or synergies between goals, values and interests of a variety of stakeholders[3].

A **lack of adequate evidence** complicates policy co-ordination despite the presence and acknowledgement of common goals.

[1] Study on Social Innovation, prepared by the Social Innovation eXchange (SIX) and the Young Foundation for the Bureau of European Policy Advisors, 2010.

[2] See BEPA, *'Empowering people, driving change: Social innovation in the European Union'*, 2010; OECD, *'Fostering innovation to address social challenges*', 2011.

[3] Where multiple solutions exist to a socio-economic problem but have different distributional consequences to involved stakeholders, competition over distributional issues may result in failures to cooperate.

Importantly, ensuring adequacy requires not only the generation of new information (such as comparable statistics, sufficient analytical knowledge), but also effective sharing of existing sources (such as available good practices) through **mutual learning processes** such as periodic monitoring, evaluation and peer review. Also, an evidence base always comprises stakeholder opinion on an issue or set of issues. Therefore, elaboration of consensual policy solutions requires **active involvement of all stakeholders** throughout the policy process.

Some examples to illustrate the importance and the effectiveness of co-ordinated policy responses in the area of PROGRESS:

In response to the socio-economic challenges, in 2007 the European Commission together with the Member States and the social partners elaborated a set of common principles known under the heading of **flexicurity**, which address policies and measures as well as the involvement of stakeholders.

At the same time it was noted that to reach a consensus on joint principles of flexicurity one needs both the information (such as a reference definition of the concept of flexicurity, as well as meaningful, high-quality and up-to-date information on the current situation in each of the 27 Member States with regard to both external and internal forms of flexibility and security for all forms of standard and non-standard forms of employment), and a continuous process of social dialogue at the European level, as well as the involvement of all stakeholders (including civil society) in search of negotiated solutions[4].

The way in which work is organised, alongside **health and safety in the workplace**, can play a major role in helping to achieve higher employment rates by ensuring wellbeing at work, maximising the ability of individuals to work and preventing early withdrawal from the labour market[5]. A large body of EU law in the field of health and safety at work has been developed with the aim of improving working conditions in the EU and reducing the incidence of work-related accidents and illnesses; however, the degree to which the EU legislation has actually been implemented differs considerably from one Member State to another[6].

At the same time, the global economic downturn may have led organisations to concentrate on short-term economic survival strategies, overlooking the long-term importance of workplace safety and health[7]. Therefore, in order to ensure equal protection of European citizens in the workplace, particularly in sectors considered to be at risk and for categories of workers who are most vulnerable (young people, workers on fixed-term contracts, low-skilled workers, migrants, etc.), the implementation of EU legislation has to be strengthened. The Commission, as the guardian of the Treaties, has to ensure that the EU directives are transposed and implemented correctly, and assist Member States in doing this.

[4] Trio Presidency Discussion Paper on *Flexicurity*, May 2007.
[5] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and Committee of the Regions. *Improving quality and productivity at work: Community strategy 2007-2012 on health and safety at work*, COM(2007) 62 final, 2007.
[6] Ibid.
[7] European Agency for Safety and Health at Work. *Annual Report 2008 – Health and Safety in Hard Times*, Annual Report, 2008.

A package of instruments guarantees a high level of compliance with the legislation, and this should include dissemination of good practice at the local level, distribution of information and guidelines, involvement of labour inspectors as intermediaries to promote better compliance with the legislation in SMEs, etc[8].

The current EU strategy aims to achieve a 25% reduction in accidents at work by 2012. This requires **ensuring gender and age equality at the workplace** as well as tackling other new and emerging risks in occupational safety and health, including chemical risks in SMEs, exposure to noise and hearing impairment, ultraviolet radiation, occupational diseases and various other hazards[9]. The acceleration of innovation, the emergence of new risk factors and the transformation of work patterns are changing the nature of occupational hazards. Certain types of occupational illnesses are becoming more common (musculoskeletal disorders, infections and illnesses associated with psychological stress). These changes mean that a better understanding of the problems must be acquired by conducting specialised research in order to identify effective prevention measures, and therefore possible legislative responses.

This better law-making, and the previously mentioned need to ensure implementation and enforcement, are closely linked: a good law is an enforceable and enforced law. Only a limited number of Member States experience delays in the timely transposition of directives in the area of working conditions, while application problems for the Member States are more common and arise primarily as a result of political will of national administrations to invest themselves in the EU's decisions. This implies changes in specific approaches, such as guaranteeing administrative capacity, screening domestic rules and procedures, a systematic discussion between relevant authorities across the EU, *ex-post* evaluations and accountability of national administrations towards their counterpart authorities in other Member States, involvement of sub-national authorities with autonomous legislative powers, supporting networks of public authorities, systematic assessment of their performance and the identification and spread of best practices, as well as extension of training programmes for judges and public administrations. To address these challenges, a cultural change is required, which includes a shift from increasing new EU law to an emphasis on effective application[10].

The combination of rising longevity and lower fertility leads to a steep aggravation of the old age dependency ratio and far-reaching consequences for economic, budgetary and social developments. Faced by these challenges, most Member States are **reforming their pension systems** to retain sustainability as well as adequacy and to ensure fairness between and within generations and between men and women. Still, the sustainability and adequacy concerns for all types of pension schemes have been aggravated by the crisis, while lower economic growth will make it harder and more urgent for policy-makers to find a good balance between sustainability and adequacy of national pension systems, especially when the transition costs, pension adequacy, and distributional impacts of the reformed pension systems are considered[11].

[8] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *Improving quality and productivity at work: Community strategy 2007-2012 on health and safety at work*, COM (2007) 62 final, 2007.
[9] European Agency for Safety and Health at Work . *Outlook 1 – New and emerging risks in occupational safety and health*. Outlook, 2009.
[10] European Economic and Social Committee. *Opinion of the European Economic and Social Committee on How to improve the implementation and enforcement of EU legislation*, 28 September 2005.
[11] Centre for policy studies Praxis, *Transition costs of reformed pension systems*. Final report, 2008.

Therefore, it is vital to strengthen the awareness of available routes to adequate income in retirement, share information and ensure better coordination at the EU level on measurements and data[12], but the lack of consistent data complicates quantitative analysis of pensions needs in EU Member States[13]. A number of countries rely on poor quality data with no obvious common characteristics. Barriers with regard to the availability of statistical data were found to be closely connected to the absence of efficient and comprehensive statistical infrastructures.

The same demographic developments also lead to a number of challenges facing **health and long-term care** systems across the EU. Total spending on health absorbs a significant and growing share of resources (EU average of 9.6% of GDP in 2008, up from 8.5% of GDP in 1998), while public spending on health constitutes a significant share of total government expenditure (14.7% in 2008, up from 12% in 1998) and GDP (EU average of 7.4% of GDP in 2008, up from 6.6% of GDP in 1998)[14]. All EU Member States face strong and growing pressures on their health systems, while rising demand and constrained resources exacerbated by the recent economic crisis make cost-effectiveness one of the most important goals in this area.

Ensuring equal access to healthcare according to socioeconomic status, place of residence, ethnic group and gender will therefore be one of the key challenges facing health systems across the EU in the future[15]. Each Member State needs to assess the way its health system functions and find areas for improvement, possibly using peer reviews and other mutual learning to find solutions that can be adapted to each national context. For this, it is crucial to have comparable and accessible evidence in order to understand the incentives associated with different payment mechanisms and ensure they are used to achieve policy objectives. However, data is still not always routinely available and comparable within and across countries[16]. Reinforcing an integrated approach on reduction of health inequalities therefore requires not only improving common knowledge and data collection (including definition of a restricted number of relevant EU indicators), but also greater visibility on this subject as well as building commitment across society. This necessitates more active stakeholder involvement and could benefit from peer reviews and exchange of best practices in cooperation with the Committee of Regions and Member States based on the experience of the most advanced countries, while considering actual transferability of practices with care[17].

More generally for the area of **social protection and social inclusion**, the SPC report on the mutual interaction between the common social objectives and the strategies for growth and jobs[18] made reference to the importance of mutual learning and the peer review process in particular, as did the SPC report on a voluntary European quality framework for social services[19] and the Eurostat report on the social situation in the European Union (2009)[20].

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[12] Ibid.

[13] Tarki Social Research Institute. *Monitoring pension developments through micro socioeconomic instruments based on individual data sources: feasibility study*. Final Report, 2009.

[14] Joint Economic Policy Committee, European Commission. *Report on Health Systems*, 2010

[15] Group of experts on Gender Equality, Social Inclusion, Health, and Long Term Care (EGGSI), *Access to healthcare and long-term care: equal for women and men?* Final Synthesis Report, 2009.

[16] Ibid.

[17] SPC Opinion "*Solidarity in Health: Reducing health inequalities in the EU*" , 2010.

[18] SPC Report from the SPC working group on *the mutual interaction between the common social objectives and the strategies for growth and jobs*.

[19] SPC Voluntary European Quality Framework for Social Services. SPC/2010/10/8 final, 2010.

[20] European Commission - Directorate-General for Employment, Social Affairs and Equal Opportunities – Unit E.1, Eurostat – Unit F.4, February 2010. *The Social Situation in the European Union 2009*.

The analysis performed as a part of the on-going evaluation of the peer review process in this policy area[21] signals the importance of the mechanism. It reveals that in 2004-2010, there were around 10-20 cases every year when Member States rather clearly expressed their intention to use/ transfer the ideas discussed, and 15-25 cases when Member States indicated that they find the ideas interesting. Very frequently the Member States also mentioned important constraints that make transferability difficult (especially differences in terms of division of responsibility between national and regional/ local institutions, budgetary constraints, strength of the NGO sector, etc.).

Indeed in many cases the peer review participants both expressed their interest in the practices presented and also discussed the potential difficulties of transferring the ideas to other societal and policy contexts.

There is a broader agreement among academic commentators, NGOs, and the SPC itself that despite the Social OMC's undeniable contributions to promoting mutual learning among EU Member States, its full potential in this area has not yet been fully exploited[22].

Some population groups are especially underrepresented in employment and fare much worse in various areas of life, such as women with disabilities[23] and people with mental disabilities[24]. There is a very significant absence of **disability mainstreaming** in the presentation of labour market statistics and indicators. Statistical data on the situation of persons with disabilities on the labour market is not fully comparable across countries due to the fact that definitions of disability vary largely across and even within countries depending on the legislative context[25]. Similar legislative issues apply to the transposition of EU rules on **Gender Equality** into national law: EU-wide analysis shows that the Member States still do not unanimously transpose EU law and definitions with regard to direct and indirect discrimination, positive actions, harassment, access to work and working conditions, pregnancy and maternity, parental leave and other issues[26].

Mainstreaming of non-discrimination is not limited to legislative action. For example, **Roma** are disadvantaged in several respects and are particularly vulnerable to social exclusion, poverty and discrimination. Access to fundamental rights and level of social inclusion are deeply influenced by a number of factors including racism and discrimination against Roma, civil status and access to personal documents, the general economic and political climate, political participation and representation.

[21] The analysis was based on the detailed desk research of the relevant peer review documents such as the comments of Member States' representatives in the minutes, synthesis reports, comments' papers, to assess whether these representatives signal clearly their intention to use or transfer at least some elements of the practice discussed or they rather choose to underline the institutional and other differences between the countries that make the transfer unlikely.

[22] For example, Armstrong, K.A., *Governing Social Inclusion: Europeanization through Policy Coordination*, Oxford: Oxford University Press, 2010; FEANTSA, *Untapped Potential: Using the Full Potential of the OMC to Address Poverty in Europe*, Brussels, 2007.

[23] ECOTEC. Study on the situation of women with disabilities in light of the UN Convention for the Rights of Persons with Disabilities. Final Report, 2009.

[24] The Academic Network of European Disability experts (ANED). *Targeting and mainstreaming disability in the 2008-2010 National Reform Programmes for Growth and Jobs*, Report, 2009.

[25] KMU Forschung Austria. *Providing reasonable accommodation for persons with disabilities in the workplace in the EU – good practices and financing schemes*. Final Report, 2008.

[26] European Network of legal experts in the field of gender equality. *EU Rules on Gender Equality: How are they transposed into national law?* Report, 2009.

Widespread negative attitudes towards Roma and stigmatisation are important barriers to successful implementation of measures to improve Roma inclusion[27]. While several important legislative developments at the EU level during the last 10 years have established a framework for greater protection against racism and racial discrimination for EU citizens, including Roma, successful policy conditions for further Roma inclusion still require multi-sector approaches to social inclusion, effective coordination of policy implementation, sustainable social inclusion policies, targeting and mainstreaming, positive action, Roma participation and adequate data collection.

A strengthened policy framework under Europe 2020 implies an even stronger need for evidence for decision making than it was before. With regard to the successor programme, this means that it will have to strengthen its assistance to the Commission in implementing its tasks:

a) Fact finding and evidence gathering about relevant developments in the EU Member States, candidate countries, EEA and EFTA states and in the international context;

b) Regular supervision and reporting on the progress of the Member States' towards common priorities and objectives laid down at the EU level;
c) Monitoring and strengthening gender mainstreaming;
d) Safeguarding the Treaties (ensuring and, if necessary, reinforcing the effectiveness and uniform application of EU law);
e) Reporting regularly on the transposition of provisions of individual Directives into national law;
f) Modernising EU legislation in line with the Smart Regulation principles.

Next to assisting the Commission in accomplishing its tasks, the successor to PROGRESS should also feature a process of discussion and search for consensus between the various actors, including - next to the public authorities on the different levels - also social partners and civil society.

2.2.2. EURES

The free movement of workers is one of the four freedoms in the TFEU. One of the ideas behind Articles 45 and 46 is to enable workers from Member States with high level of unemployment to move to other states where there is a demand for jobs. Economic development and European social cohesion can be improved if workers can move freely between EU member states from regions with low career prospects to those where they have better perspectives. The June 2010 Special Eurobarometer on "Geographical and labour market mobility" showed that 34% of Europeans think that their chances of finding a job abroad are better than in their own countries; However, only 2.3% of the working age population lives and works in a Member State different from the one of their nationality.

Geographic mobility in Europe is limited due to a number of obstacles. Aside from an uncertainty over the advantages of being mobile, individuals face a number of hurdles to free movement. These can range from legal and administrative obstacles, housing costs and availability, employment of spouses and partners, portability of pensions to linguistic barriers and issues on transparency of job vacancies and missing support for matching CVs with job offers.

[27] The European Commission, *Improving the tools for the social inclusion and non-discrimination of Roma in the EU*, Summary and selected projects, 2010.

EURES addresses transparency issues by making available job vacancies from Member States on the EURES Job Mobility Portal and provides support for activities in the areas of recruitment and related information, advice and guidance services at national and cross-border level.

Increasing intra-EU-mobility by giving access to more employment opportunities may contribute to economic growth. Evidence from Commission research suggests that countries not applying transitional rules on free movement and therefore allowing incoming mobility have benefited from a higher GDP growth.

"Positive externalities from mobility clearly outweigh the negative externalities. Geographic mobility may indeed be a win-win situation in economic terms for both the sending and the receiving country. Positive externalities mainly stem from positive growth effects associated with free movement of human capital reducing labour market imbalances, improved skill matches in an integrated market, higher investment into education, and a higher level of innovation and entrepreneurship. Negative externalities are primarily pecuniary or fiscal, and these negative effects in the destination country are at least partially offset by corresponding positive effects in the sending region. The efficiency gains, however, are unambiguously beneficial for Europe."[28]

Further down in the policy implementation cycle, the European Public Employment Services (PES) play a vital role in better matching demand and supply on national and EU labour markets; and preventing the risks of structural and long-term unemployment. With the recent recession and the starting war for talents the expectations towards PES have become even stronger. The role of PES has changed; more and more they act as transitions agencies and therefore need to by strengthen their service delivery. While their main role currently is to address the needs of the unemployed, employment services can play a more comprehensive role as lifelong service providers, delivering services in skills assessment, profiling, training delivery, individual career guidance and client counselling (workers and employers), matching people to job profiles, and offering services to employers, as well as catering for the challenges of those furthest away from the labour market. Employment services should also promote partnerships between and among services (public, private and third sector employment services), education and training providers, NGOs and welfare institutions.

Following the Court judgement[29], the current limitation to Public Employment Services of EURES is no longer possible, and new methods of cooperation with the private sector are being explored (see Section 5).

2.2.3. Microfinance and Social Entrepreneurship

Entrepreneurship refers to the process of creating or expanding economic activity, primarily by establishing new businesses or new ways of doing business: entrepreneurs that take the risk of doing things differently.

Becoming self-employed is one avenue for unemployed people to get into a job and make a living, and an important pathway out of social exclusion. Entrepreneurship is also easing transition from the informal to the formal sector.

[28] Geographic Mobility in the European Union: Optimising its Economic and Social Benefits, IZA Research Report No. 19, 2008 http://www.iza.org/en/webcontent/publications/reports/report_pdfs/iza_report_19.pdf
[29] Case C-55/96, last sentence of the conclusions.

Job creation through the establishment and consolidation of new businesses therefore plays a significant role in achieving the employment and inclusion targets of the Europe 2020 Strategy: a significant share of new jobs in the EU is created by newly established firms and almost 85% of these jobs are created by micro-firms. In the EU, these firms generate on average nearly 2 jobs, in some Member States up to 3.

However, Europe is far from exploiting its full potential in this respect: the rate of business creation[30] on average is estimated at around 4.5 % in the EU, compared to 8% in the USA[31]. According to a 2009 survey, on average 45% of Europeans wish to become self-employed against 60% in the USA. As a result of the crisis, even fewer think it is feasible to become self-employed[32].

Microfinance

One of the major obstacles to business creation is lack of access to finance, especially micro-credit (i.e. loans of less than EUR 25 000)[33].

In 2007, i.e. before the economic crisis, the Commission estimated the demand for microcredit at around 700 000 loans worth EUR 6.2 billion in the short term[34]. Taking into account research done at national level, this seems to be a careful assessment: for instance a 2009 French study estimated the unsatisfied demand for microloans only for France in 2008 at 187 000 microloans[35] (of which 113 000 in the bankable segment, 74 000 on the non-bankable segment)[36].

The crisis seems to have exacerbated the problem: a 2010 study commissioned by the European Parliament shows that 55% of the responding microcredit providers expected a "strong growth" of demand over the coming three years. According to a sample of microcredit providers in ten EU Member States[37], the potential demand could reach as much as 2 935 000 microloans (in these ten countries). Most demand was expected from people made unemployed/hit by the crisis and wishing to start a business (20% of responses). This group is followed by people who are long-term unemployed or living on social benefits (12% of responses), or who are excluded both from welfare and the market (4%) or who are part of typically fragile groups such as single parents, the young, migrants (4%). The study interprets these findings as that the crisis has doubled the demand potential for microfinance in Europe[38].

[30] The Total Early-Stage Entrepreneurial Activity (TEA) rate encompasses activities related to business creation, throughout all stages of the business cycle, from conception through firm birth to the first 3.5 years of being in business.
[31] Global Entrepreneurship Monitor, 2009 Global Report.
[32] European Commission, *Entrepreneurship in the EU and beyond*. A survey in the EU, EFTA countries, Croatia, Turkey, the US, Japan, South Korea and China Flash, Eurobarometer 283, June 2010.
[33] defined as loans of less than EUR 25 000.
[34] European Commission, *A European initiative for the development of micro-credit in support of growth and employment*, COM(2007) 708 final.
[35] The definition of microcredit in this part of the study is loans of less than EUR 30 000.
[36] République française, Ministère de l'Economie, de l'industrie et de l'emploi et Ministère du budget, des comptes publics, de la fonction publique et de la réforme de l'Etat, Le Microcrédit, Rapport N° 2009-M-085-03, December 2009. The estimation is based on a study carried out by ADIE.
[37] PL, BG, LV, ES, RO, IT, F, UK, DE and NL.
[38] European Parliament, Directorate-General for internal policies, *Microcredit networks and existing national legislations with a view to the implementation of the microfinance instrument*, November 2010.

The mismatch between the low level of microcredit supply and the high demand can be explained by several factors: One is the difficulty for microcredit providers to assess the risk of providing a microloan to a new business: young companies or start-ups have by definition no track record and mostly only limited collateral to mitigate the risk. But even well established micro-enterprises are often unable to provide the necessary information and collateral for obtaining a bank loan[39]. With the financial and economic crisis[40] banks tend to be even more risk averse and hence demand more collateral and security[41]. Because of these (perceived) higher risks of young companies or start-ups, financial institutions, in particular banks, do not see micro-finance as a profitable product. In addition, small loans entail comparatively high administration expenditure and transaction costs per loan[42], which further reduces profitability if these costs cannot be fully charged to the client.

Cost for micro-lending is even higher for loans to people from disadvantaged groups such as unemployed, young or older people or migrants, as this type of clients represents a higher risk of default and would often need costly personalised business support services. By and large, micro-loans for these target groups cannot be provided on a commercial basis.

Hence, by far the majority of micro-credit to disadvantaged persons in the EU is provided by non-commercial micro-finance institutions (NGOs, foundations, government bodies, Member States' promotional banks, non-bank financial institutions). The European micro-finance sector has clearly not reached maturity yet: in 2009, 57% of the European microfinance institutions disbursed less than 50 loans while only 13% of the organisations disbursed more than 400 loans[43].

In order to grow, European micro-finance institutions would need to build and maintain adequate funding models. This is a weak point, especially of non-bank microfinance institutions, as a market study for the EIF revealed. The latter identified a clear need for institutional capacity-building through sustained funding to cover start-up and operative costs and funding for on-lending to high risk target groups. Other difficulties found were underdeveloped systems for performance measurement and analysis, only average capacity levels regarding human resource management and a lack of capacity by non-bank microcredit providers for networking and co-operation[44]. In a 2010 survey carried out by EMN, European microfinance institutions counted the lack of institutional capacity and lack of access to funding to cover operational costs or for lending among the most significant obstacles to growth[45]. EMN considers the lack of access to long-term funding as the most important problem driver as it restricts microcredit providers' ability to grow, to broaden and deepen outreach across the sector, their ability to build institutional capacity and their ability to reach sustainability, especially during the financial and economic crisis.

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[39] Per-Erik Erikkson, Helmut Kraemer-Eis and Alessio Conforti, "*Microfinance in Europe*", in: Delia, E.P. (ed.), *Microcredit as a Tool of Ethical Financing of Sustainable Development*, Occasional papers APS Bank, 2011.

[40] OECD, *The Impact of the Global Crisis on SME and Entrepreneurship Financing and Policy Responses*, 2009.

[41] UEAPME, European SME Finance Survey, 2009.

[42] European Commission, *Gaining scale in microcredit. Can banks make it happen?*, Report on two workshops organised by the Directorate-General for Enterprise and Industry, 2010.

[43] Jayo Bárbara, González Ana and Conzett Casey, *Overview of the Microcredit Sector in the European Union*, EMN Working Paper n° 6 2008-2009, June 2010.

[44] Evers and Jung / EMN, EIF Market studies on micro lending in the European Union: *capacity building and policy recommendations*, March 2009. According to the study, institutional capacity encompasses vision and strategy, funding, human resources, operational management and systems and infrastructure.

[45] Jayo Bárbara, González Ana and Conzett Casey, *Overview of the Microcredit Sector in the European Union*, EMN Working Paper n° 6 2008-2009, June 2010.

A study commissioned by the European Parliament[46] seems to confirm this analysis: asked about the form of support which would have the greatest impact on the development of their microfinance activity, the respondents of a survey[47] identified grants for institution building, capital and grants for client support as the three highest priorities[48].

Social entrepreneurship

Social enterprises show a great variety in terms of legal status, products and services produced or distributed, markets served, and growth potential[49]. They also differ largely in terms of composition of revenue (sales, service contracts with public bodies, donations, voluntary work etc), which in addition tends to change during the development of a social enterprise towards financial self-sufficiency. The common pattern in their financial needs is that the more revenue is generated through trading on the market, the more they depend external financing for consolidation and growth. Their specific financing requirements (long-term; mix of grants, equity and loans for new services or new markets) makes it difficult for traditional financial institutions to serve their financing needs.

This has led to the emergence of (infant) social investment markets in some countries (in particular UK and France), whereas these are less advanced in most other Member States, definitely in the new Member States. The main actors[50] offering social investments are:

- Value banks;
- Venture philanthropy funds;
- Social investment funds;
- Funding consultancies, and;
- Social stock exchanges.

Each of those serving a specific market segment, offering (a range of) financial instruments (grants, debt, equity, mezzanine capital, and a combination of these: "hybrid capital".

The main imperfections of, and barriers to social investment markets on the supply side are[51] EU and national financial market regulation:

- Lack of understanding the specificities of social enterprises by traditional financial sector;
- Uncertainty that market or close to market returns can be achieved, and insufficient protection of downside risks;
- Insufficient liquidity to reduce perceived risk;
- Missing or weak measurement of the social returns generated by the investment;

[46] European Parliament, Directorate-General for internal policies, Microcredit *networks and existing national legislations with a view to the implementation of the microfinance instrument*, November 2010.

[47] The results of the survey are based on 81 fully completed questionnaires from microcredit providers in 16 EU Member States.

[48] European Parliament, Directorate-General for internal policies, *Microcredit networks and existing national legislations with a view to the implementation of the microfinance instrument*, November 2010.

[49] Social enterprises often serve local markets, and therefore often have limits for organizational growth: However, successful business models often be scaled through through replication, franchising, networking etc.

[50] For details, see Social Investment Manual. A Guide for Social Entrepreneurs, developed by the Social Investment Task Force (Technical University Munich; Schwab Foundation Community of Social Entrepreneurs, Schwab Foundation for Social Entrepreneurship), 2011.

[51] Investor Perspectives on Social Enterprise Financing. Report prepared for the City of London Corporation, City Bridge Trust, and the Big Lottery Fund by ClearlySo (author: Katie Hill , July 2011

- Few products and managers with a track record in social impact investment;
- Weak investment propositions, notably few large scale investment opportunities;
- Insufficient numbers of social business angels.

In addition, there are also demand side barriers to social investment, in particular:

- Insufficient orientation on capital markets, but on the grant economy;
- Legal structure prevents taking (quasi-)equity;
- Market for social impact investment not transparent;
- Insufficient experience in making proposals for external financing, and for combining different sources and types of finance (e.g. grants/loans);
- Insufficient infrastructures /business development services/ incubators etc.

Furthermore, there are market structure barriers to social investment resulting from lack of qualified intermediaries and market places.

The concept of social entrepreneurship (which draws on the well-established European tradition of the social enterprises such as social co-operatives) reflects the need to restructure business towards inclusive, socially fairer, and environmentally sustainable growth, to generate jobs by meeting the needs of a diversity of work, lifestyles and social values, and to link entrepreneurial activity with social innovation. This business model seems to meet growing acceptance and application by young people and women, whose business creation rates are higher for social enterprises than for traditional businesses.

2.3. Who are the target groups and what are their needs?

The main players affected by **the Progress programme** are public authorities, social partners and civil society organisations at EU and national level as well as the European Commission itself. A needs analysis[52] looked into the situation, motivations and interests of EU-level, national and regional stakeholders in relation to the broad thematic areas addressed by the programme and identified a number of implications for the successor instrument. National authorities emphasised a need for simple, but effective implementation mechanisms, reduction of red tape and administrative burden in access to EU programmes. They also underscore that the EU needs to respect the unique situation of each country and not try to find a "one size fits all" approach, but rather facilitate exchange of information about solutions which proved to be effective. EU-wide definitions and indicators, comparable data and monitoring are seen as useful tools for informed policymaking. Pooling, comparing and disseminating the Member States' initiatives would also help facilitating policy implementation.

Most social and economic partners focused on such interests as recognition of their contribution to public policies, networking, exchange of information and good practices, and balanced policy dialogue. The study found that the merely formal nature of stakeholder involvement and fragmentation of policies (separation of employment and social policies) impede more effective participation of social and economic partners.

The key interests of NGOs and networks appeared to be rather similar, yet often in tension with interests of other stakeholders. Inclusive policy dialogue with extensive mainstreaming of the needs of various target groups and sub-groups, consultation and partnership at multiple levels and stable public funding were often mentioned among the interests of this group.

[52] Public Policy and Management Institute , *PROGRESS stakeholder needs analysis*, 2011.

While national authorities emphasised subsidiarity, NGOs and networks encouraged the EU to be more proactive. Such potential tensions should be solved on a case-to-case basis, and the successor instrument can be used to identify such tensions and engage various actors to solve them.

The needs analysis has also revealed a strong emphasis on visibility and dissemination. Therefore focusing on visibility, dissemination and exploitation, as well as exchange of good practices within the framework of the successor instrument would create a win-win situation for all. As emphasised in the recent guidelines for EU's policies for social innovation[53], there will be an increasing need to scale up innovative approaches and support transfer of evidence-based social experimentation. The analysis of stakeholder needs supports this approach: most stakeholders are in favour of EU support for social experimentation and dissemination of good practices and innovative approaches.

The main target group of **EURES** are employers, jobseekers and job changers. Among jobseekers and job changers younger cohorts and graduates can be identified as main target group as they are strongly affected by the current economic crisis and at risk of long-term unemployment. Moreover, young people are typically more mobile than middle-aged or older people.

According to an external evaluation of the functioning of the EURES network in 2006-2008[54], the majority of people who use EURES as a job search tool are men (64.1%). Men and women searching for job are typically aged 26-35 (43.8%) or 36-50 (34.5%). The majority are educated at Bachelors (31.1%) or at Masters (27.9%) levels. The analysis of the database for requests to EURES advisers revealed that the majority of contacts took place with jobseekers and job changers rather than with employers. Since the second quarter of 2007, 86.0% of all contacts have taken place with jobseekers or job changers. Job search has constantly been the most common topic discussed through the adviser contacts: on average 41.2% of the contacts focussed on this issue between 2006 and 2008. The second most common topic was general information on EURES discussed in some 17.3% of the contacts during the same time period. Other main topics were social security and taxation, education and training, living and working conditions and other general information and advice

The final target group of EU-level microfinance support is people who want to become self-employed or set up or develop their own business and face difficulties in securing a traditional bank loan, i.e. unemployed people, people at a risk of losing their jobs and people from disadvantaged groups, for instance young or older people or migrants. These people need better access to microcredit, i.e. loans of less than EUR 25 000.

In order to reach out to this target group, EU support is provided directly through microcredit providers,, i.e. public and private bodies at national, regional and local levels which provide microloans to persons and micro-enterprises in the EU Member States and in the EEA and candidate countries. If they are to reach out to the final beneficiaries mentioned, they need instruments to mitigate the risks they incur and funding to refinance their loan capital. In order for the microfinance market to grow and increase its absorption capacity, long-term financial support for institutional capacity building is also needed.

[53] Conference Report: Social Innovation Europe Launches in Brussels: the Innovation Union moves forward. Available online at:
http://ec.europa.eu/enterprise/policies/innovation/files/sie-conference/conference-report_en.pdf.
[54] Ex-post evaluation of the EURES programme covering the period 2006-2008, EPEC 2010.

The final beneficiaries of EU level social entrepreneurship support are social enterprises[55] which can be characterised as follows:

- Their mission is to generate a societal value in the general interest, notably by contributing to smart, sustainable and inclusive development (thus their purpose and impact are social). This often translates in a high degree of social innovation.

- They establish business governance and ownership structures that reflect the mission of their social enterprise, promoting empowerment and involvement in decision-making and increasing participation in social and working life, of employees, partners and clients (thus their process of working is social).

- They mainly use the surplus generated from their economic activity to realise their societal objective, by reinvesting and furthering their societal purpose (thus using the economic benefits for a social purpose).

These enterprises can achieve their social impact either through the goods and services they produce (e.g. services to disadvantaged groups like access to housing, health care etc.) or through the way the produce them (integration of disadvantaged groups into the labour market).

Social enterprises have difficulties in access to funding for development, consolidation and scaling of operations[56]. To channel funding to social enterprises, EU-level social entrepreneurship support targets social investment funds. Typically these funds have a size ranging between EUR 10 million and EUR 50 million. According to the EIF, investments by an EU level financial instrument in such funds should range between EUR 5 million and EUR 15 million, depending on the fund size.

[55] UNDP/EMES: Social Enterprise: A new model for poverty reduction and employment generation. An Examination of the Concept and Practice in Europe and the Commonwealth of Independent States, 2008 OECD; The Changing Boundaries of Social Enterprises Edited by Antonella Noya, 2009.

[56] Marguerite Mendell, Rocio Nogales: What are the Financial Streams?, in : OECD , The Changing Boundaries of Social Enterprises Edited by Antonella Noya, 2009;
Social Investment Manual. A Guide for Social Entrepreneurs, developed by the Social Investment Task Force (Technical University Munich; Schwab Foundation Community of Social Entrepreneurs, Schwab Foundation for Social Entrepreneurship), 2011
Investor Perspectives on Social Enterprise Financing. Report prepared for the City of London Corporation, City Bridge Trust, and the Big Lottery Fund by ClearlySo (author: Katie Hill , July 2011.

3. LESSONS FROM THE PAST

3.1. The current system of funding

The EU Programme for Employment and Social Solidarity - PROGRESS[57] supports the development and coordination of EU employment and social policy. The programme helps the Commission to fulfil its tasks both in the fields of (a) law-making, to ensure that evidence-based legislation meets all the principles of Smart Regulation; and (b) policy-coordination among the Member States.

The total budget of the programme amounts to 683.25 million € for the programming period 2007-2013. It is spread over five broad policy sections in the following manner[58]:

1. Employment – 23%;
2. Social protection and social inclusion – 30%;
3. Working conditions, including restructuring – 10%;
4. Anti-discrimination and diversity – 23%[59];
5. Gender equality – 12%.

PROGRESS finances three main types of actions: analytical activities; mutual learning, awareness and dissemination activities; support for main actors.

The programme is directly managed by the Commission mainly through calls for tenders, calls for proposals and joint management. In the case of grants, the programme provides a maximum of 80% co-financing.

Set up in 1993[60], **EURES** is a co-operation network between the European Commission and the Public Employment Services of the EEA Member States (the EU countries plus Norway, Iceland and Liechtenstein) and other partner organisations. Switzerland also takes part in EURES co-operation. The annual financial appropriations of EURES amount to € 21.3 million.

EURES provides information, advice and recruitment/placement (job-matching) services for the benefit of workers and employers as well as for any citizen wishing to benefit from the principle of the free movement of persons.

The combined resources of EURES members and partner organisations (Public employment services) have made it possible to develop EURES trough a network of more than 5000 local employment offices with more than 5000 staff offering EURES specialist services to jobseekers, job changers and employers. EURES network also fosters European mobility via the internet platform http://eures.europa.eu.

EURES has demonstrated its European added value during the economic crisis by increasing access to more employment opportunities and unfilled vacancy. The number of visits on the EURES portal has almost doubled from 2008 to 2009 (from 17 500 000 to 33 750 000).

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[57] OJ L 315, 15.112006, p. 1. Decision No 1672/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Community Programme for Employment and Social Solidarity — Progress. Decision as amended by Decision No 284/2010/EU (OJ L 87, 7.4.2010, p.6).

[58] Two percent of the budget is used for support measures to the implementation of the whole programme

[59] As from January 2011, anti-discrimination and gender equality sections are managed by Directorate-General for Justice.

[60] COM 2003/8/EC of 22 December 2002 based on regulation 1612 from 1968 codified 492/2011 from 5 April 20011

The EURES network has organised 705 events attended by 864.371 participants between 2006 and 2008.

The aims of **the European Progress Microfinance Facility (Progress Microfinance)**[61], which was set up in 2010 as a response to the economic crisis, are twofold: on the one hand, it makes microfinance within the EU more readily available and accessible to persons who wish to become self-employed or start up or develop micro-enterprises in that it enables microcredit providers in the EU to increase their lending to them. On the other hand, it improves access to microfinance by reducing the risk borne by microfinance institutions. This allows providers to reach out to groups who could not normally be served, for instance because they could not put up sufficient collateral or because the interest rates would have to be very high if they were to reflect the real risk.

Progress Microfinance is jointly managed with the European Investment Fund. It is a demand-driven instrument. The Union's contribution is EUR 100 million, of which EUR 25 million are used for guarantees to microcredit providers, while the remaining EUR 75 million are earmarked for funded instruments, i.e. debt, equity and funded risk-sharing instruments. For the latter, a specialised investment fund has been set up. The Commission estimates that the Union contribution, which is matched by the European Investment Bank, will leverage a total volume of microloans of more than EUR 500 million over eight years[62].

End of July 2011, seven institutions (in Belgium, the Netherlands, Poland, Bulgaria, Romania, Lithuania and Cyprus) had already signed transactions under Progress Microfinance. By the end of 2011, 14 operations are expected to be concluded.

Up to now, there is no EU level financial instrument for supporting the development and up-scaling of social enterprises.

3.2. Achievements of the current instruments and delivery issues

3.2.1. The Progress programme

Achievements

The interim results of the mid-term evaluation[63] and those of the annual performance monitoring[64] provide evidence of PROGRESS outcomes and offer insights about its delivery processes.

PROGRESS allowed for Europe-wide comparison of evidence, and for developing statistical tools, methods and common indicators to ensure that EU employment and social policy and legislation are relevant to the needs of Member States. Although the primary user of such outputs is the Commission itself, there is evidence[65] that these outputs are used in the EU and national policy- and law-making as well as in the wider policy debate.

[61] OJ L 87, 7.4.2010, p. 1. Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion.
[62] For more details see also: European Commission, Implementation of the European Progress Microfinance Facility — 2010, COM(2011) 195 final.
[63] The mid-term evaluation is carried out by Ecorys Netherlands. The final report is expected to be completed in December 2011.
[64] The results are presented in the annual performance monitoring reports available at: http://ec.europa.eu/social/main.jsp?catId=659&langId=en
[65] PROGRESS Annual Performance Monitoring Report 2009.

Specific examples of policy evidence which was evaluated by the respondents to the 2010 Annual Survey as being most helpful in different PROGRESS policy areas include:

- Employment section: Monthly Labour Market Monitor and Quarterly Labour Market Review,
- Social protection and social inclusion section: Collection of statistics on income and living conditions, reports of the group of independent experts on social inclusion and MISSOC database: Comparative Tables on Social Protection,
- Working conditions section: Non-binding guide to good practice for implementing Directive 2003/10/EC,

PROGRESS is the main financial instrument of the EU to mutual learning and the exchange of good practices in employment and social solidarity through the European Employment Strategy (EES) and the Open Method of Coordination on Social Inclusion and Social Protection (Social OMC). These processes have proven to provide factual information, influence agenda-setting, enhance cooperation among national authorities and constitute a basis for decision-making for participating Member States[66]. For instance, 22 Member States plus Norway and Serbia were actively involved in the Mutual Learning Programme in 2010. Main issues covered included self-employment, labour market integration of the Roma community, support for the jobseekers and the unemployed, short time working arrangements, ageing population and education choices, activation of the elderly, and labour market integration of lone parents.

PROGRESS strengthened partnership among policy makers and stakeholders especially by contributing to the capacity building of key non-governmental actors (EU-level networks and national NGOs).

In particular, the outputs of key EU networks were seen by a majority of stakeholders as beneficial for advocacy and partnerships[67]. For instance, in 2010, PROGRESS-supported key EU networks and NGOs produced 295 reports aimed at providing policy advice, research and analysis, 179 reports aimed at identifying good practices, and 235 reports aimed at monitoring/assessment in the policy areas of anti-discrimination, social protection and social inclusion, and gender equality. They also organised 316 training, peer review and other mutual learning events, as well as 462 information and communication events. The number of participants in those events increased by more than 50% from 21 901 in 2009 to 34 501 in 2010.

Through PROGRESS, the Commission seeks to bring about effective application of EU law on matters related to health and safety at work, labour law, working conditions, non-discrimination and gender equality in all Member States.

[66] 89% of the 2010 Annual Survey respondents claim to have gained better understanding of EU policy objectives by participating in PROGRESS-funded events. See PROGRESS Annual Performance Monitoring Report 2010.

[67] Over 4/5 of the respondents to the 2010 Annual Survey agree that EU-level NGOs/networks are successful in increasing awareness and exerting pressure on policy makers in the relevant policy area, and a source of useful and appropriate information on the implementation of EU law and/or conditions, needs and expectations of relevant target groups.

First of all, PROGRESS contributed to improving the quality of the Commission's legislative initiatives by ensuring that they are built on strong evidence[68] as well as making its decision-making processes more accessible and involving a broad range of stakeholders in policy development. For instance, in 2009, PROGRESS contributed to several policy initiatives, including the agreement in Council on the revision of Directive 86/613/EEC on equal treatment of self-employed and assisting spouses and the Council decision for the European Union to sign the UN Convention on the Rights of Persons with Disabilities. Second, it helped to ensure correct and effective application of EU law in the Member States by monitoring the implementation of EU law in the Member States (by supporting networks of legal experts and external studies) and providing assistance to the Member States (through trainings and mutual learning events for legal practitioners) in transposing and applying EU law effectively.

Delivery issues

The mid-term evaluation finds that the PROGRESS programme's annual cycle of planning, implementation, monitoring and evaluation of activities is considered generally fitting, however it is recommended that a multi-annual programming be developed to set more strategic long-term policy objectives combined with annual funding priorities[69].

The evaluation confirms that the main types of activities (analytical, mutual learning and support to main actors) are very relevant to the programme objectives across its policy sections. The analytical outputs analysed by evaluators are generally of good quality in terms of content and usefulness. However, timeliness of delivery of studies should be improved by greater use of framework contracts. In this context, the networks of experts established in different PROGRESS policy sections proved to be effective in providing the Commission with advice and research within shorter time periods[70].

Mutual learning and peer reviews seminars are highly attended and generate considerable learning effects. However, the results of both the mid-term evaluation and the annual performance monitoring confirm that despite continued efforts in the last years, visibility and dissemination of PROGRESS results deserve further improvement to ensure sustainability and the long-term exploitation of funded projects.

Another weakness of the current programme is the rigid allocation of its budget to the policy sections. This rigidity made it harder to effectively respond to political imperatives and changing circumstances, in particular in the wake of the crisis. The successor instrument should drawn lessons from this experience in order to strike a balance between predictability and flexibility in its budget. Results-based management and regular performance monitoring proved to be successful in demonstrating the programme's achievements as well as in enhancing the EU's accountability. As confirmed by the findings of the mid-term evaluation, the annual monitoring reports help in keeping a constant focus on results by all stakeholders. The evaluators recommend maintaining this approach; however, the administrative burden linked to the annual reporting should be reduced. This could be done by reducing the number of quantitative indicators at the output level and measuring the progress achieved towards longer-term goals every three years instead of annually.

[68] This evidence is also reported to be used for developing national legal acts implementing EU law. Namely, 25% of the respondents of the 2010 Annual Survey indicated that studies, analyses, thematic assessments and monitoring reports produced under the programme have contributed to adopting/amending national legal acts implementing EU law.

[69] Interim report of PROGRESS mid-term evaluation.

[70] Public Policy and Management Institute, *Measuring effectiveness and efficiency of the studies produced under Progress*, 2011.

Synergies between the programme and the European Social Fund should be more fully exploited. For example, at EU level, coordination and knowledge transfer should be improved between PROGRESS and the ESF in particular in the framework of the Open Method of Coordination. Furthermore, the ESF could help mainstreaming results of the PROGRESS projects, for example, by drawing lessons from social experimentation projects and supporting replication of this approach in the Member States.

Lastly, despite some positive examples of integration of the gender dimension into the programme activities, the mid-term evaluation recommends putting more emphasis on the concrete implementation of this principle, and ensuring that gender equality is mainstreamed in a meaningful way across all PROGRESS-supported activities.

3.2.2. EURES

Achievements

An external evaluation of the functioning of the EURES network[71] revealed that in comparison to other EU networks, EURES has a significantly stronger focus on employment opportunities and it is also the only one that aims at providing specific job-matching services. The EURES Job Mobility Portal is appreciated by jobseekers, job changers and employers who clearly see the benefit in being able to access – or post – information on vacancies across Europe. The surveys with jobseekers and job changers and employers show that the job vacancies database has facilitated job matching and intra-EU job mobility. More than 20% of jobseekers and job changers that applied for vacancies of interest or posted their CV on EURES reported having received a job via EURES, and just under half of these identified that the resulting job corresponded to their skill level. The CV set up function is viewed very positively by jobseekers and job changers.

This being said, one of the findings of the evaluation was that the links between EURES aims and objectives, its achieved outputs and the wider employment aims and objectives of the EU are not prominent enough.

The EURES objectives were broadly defined in 1993 and stopped at the provision of information and virtual transparency[72] of labour markets through clearance of vacancies and CVs. The EURES objectives do not make full use of the exclusive competence provided by the TFEU in the field of free movement of workers. The translation of strategic objectives into operational objectives and its capacity to achieve and present results needs to be improved. EURES needs to focus more on tangible outcomes and results in terms of outgoing and incoming placements and recruitment for example by helping young people and employers to fill open bottleneck vacancies, i.e. vacancies for which recruitment difficulties or market failure have been identified. These new targeted labour mobility schemes are indeed much needed given the current imbalances of EU labour markets which affect dramatically young people. "Your first EURES job" scheme, currently implemented as a preparatory action, is intended to foster youth job mobility across the EU-27 countries.

[71] Ex-post evaluation of the EURES programme covering the period 2006-2008, EPEC 2010.

[72] Commission decision of 23 December 2002 implementing Council Regulation 1612/1968 as regards the clearance of vacancies and applications for employment, Article 2 on EURES objectives:
(a) the development of European labour markets open and accessible for all;
(b) the transnational, interregional and cross-border exchange of vacancies and job applications;
(c) transparency and information exchange on the European labour markets, including on living conditions and on the opportunities for acquisition of skills;
(d) the development of methodologies and indicators for this purpose.

Delivery issues

There is a need to simplify and streamline EURES. Its founding documents are composed of a Regulation, a Commission decision, a "Charter" and three-year guidelines. Funding is distributed to the network with a three year partnership agreement following a call for proposals (the last one was published in 2010). Moreover, four different committees and bodies supervise its functioning: the two committees created by Regulation 1612/68, a EURES working party and the High Level Strategy Group, created by Commission decision 2003/8/EC. As a result of this complex legal basis, the current management of the network has become rather ineffective. The largest part of the EURES budget (14 million €) is currently spent in direct management mode on over 49 grants of the EURES network, following annual calls for proposals. Management of the grants is cumbersome both on the side of the Commission and of the beneficiaries, and is disproportionate compared to the budget available.

Furthermore, the external evaluation revealed that with regard to issues such as information on employment conditions and social security, there were overlaps with other networks and programmes, notably with Your Europe, Euraxess, SOLVIT and the European Social Fund[73]. There are also some overlaps with the PROGRESS programme, in particular with its activities relating to the Public Employment Services and labour market statistics. Moreover, as a consequence of the ongoing liberalisation in the market for labour services the market share of non-public employment services is constantly growing[74].

Finally, EURES must provide itself with a monitoring and assessment tool; to provide additional solid indicators about its performance and its impact on the labour markets. On this point, a study has been commissioned, and its results should be known in late September 2011.

3.2.3. The European Progress Microfinance Facility

Achievements

Progress Microfinance was designed to address the lack of access to finance, which is one of the main obstacles preventing people to start their own business.

Especially disadvantaged groups such as unemployed, young or older people or migrants have difficulties securing traditional bank loans (see problem definition under point 2.2.3). The European Progress Microfinance Facility for employment and social inclusion extends the outreach of microfinance to particular at-risk groups and to further support the development of entrepreneurship, the social economy and micro-enterprises. Progress Microfinance departed from the traditional grant-based approach and has allowed pooling expertise and resources at European level and putting it at the service of employment creation and poverty reduction in the Member States.

[73] The European Social Fund include within its scope of assistance (article 3f) "specific action to increase the participation of migrants in employment and thereby strengthen their social integration and to facilitate geographic and occupational mobility of workers and integration of cross-border labour markets, including through guidance, language training and validation of competences and acquired skills.

[74] PES market share in job vacancies varies between 10 and 80% throughout EU-MS, with an estimated average of less than 40%, DTI, ÖSB, IER. *Anticipating Skill Needs for the Labour Force and Equipping People for New Jobs, Which role for Public Employment Services in early identification of skill needs and labour up-skilling?* Final report, 2010.

Ministries of labour and social affairs are often less experienced in the field of financial engineering. As a result only a small number of managing authorities have used ESF resources for establishing financial engineering instruments in the programming period 2007-2013. Given that the establishment of such funds is time-consuming and complex and that a critical mass is needed, a fund at EU level bears a strong added value: within less than one year of the entry into force of the founding decision, the guarantees window and the funded instruments window have become operational, by July 2011 microfinance support is provided in seven Member States and the forecast for transactions suggests that towards the end of 2011 Progress Microfinance will increase accessibility and availability of microfinance in half of the Member States.

However, some weaknesses of the current setup have been identified:

In spite of the strong forecast for transactions, which demonstrates the attractiveness of Progress Microfinance, up until now microcredit providers have showed relatively little interest in the guarantees. This was anticipated and hence reflected in the distribution of funds (1:3) between the guarantees and the funded instruments from the outset, but nevertheless absorption might be lower than anticipated.

In addition, some microcredit providers lack the scale to benefit from the support provided. For instance relatively small institutions that had shown interest in the guarantees could not be served because their loan volume was too small. They would have needed technical assistance and they lacked the necessary funding to be eligible. The European Microfinance Network (EMN) has also underlined this need for capacity building, especially for non-bank microfinance institutions.

Another area for improvement is related to the fact that in some instances, especially in the Eastern European Member States, microcredit providers offer only few or no business support services. This can be explained by the fact that the provision of these services is particularly time-intensive and hence costly. Especially commercially oriented microcredit institutions therefore have difficulties providing these services, even though they are obliged to at least cooperate with other organisations providing such services under Progress Microfinance.

A social innovation approach to microfinance would strengthen the role of partnerships and strong linkages of microfinance institutions with providers of business development services, facilitate their integration in employment and social inclusion initiatives.

Lastly, one of the target groups of Progress Microfinance are social businesses in their start-op phase. However, it has become clear that their specific nature (often a spin-off of a team from a traditional business, or a civic society organisation, or a public service) requires a mix of funding sources to get started, and that they face particular needs regarding development, consolidation and growth (mezzanine and hybrid capital)[75]. The limitation of microloans to amounts of up to EUR 25000 is in this regard problematic. To further develop and consolidate. There is a clear need to exploit the social and societal value generated by social enterprises. Given the low development of national or regional sources of funding for social enterprise across Europe, there is a clear role for the EU to pave the way through a suitable EU level instrument that has the capacity to leverage public sources of funding (notably ESF) as well as mobilising private social impact investors.

[75] Social Investment Manual. A Guide for Social Entrepreneurs, developed by the Social Investment Task Force (Technical University Munich; Schwab Foundation Community of Social Entrepreneurs, Schwab Foundation for Social Entrepreneurship), 2011.

Delivery issues

Several microcredit providers (e.g. *MicroStart* in Belgium or *Qredits* in the Netherlands) supported by Progress Microfinance have also benefitted from support for institutional capacity building provided as part of a preparatory action of the European Parliament as well as from training under JASMINE. However, while the combination of funding and capacity building is addressing the needs of the sector, the current setup is complex because the microcredit providers have to apply for different programmes. It does not achieve the maximum value for money because the funding and the capacity building are not linked. EMN indeed pleads for a streamlined and combined support to financing and capacity building.

4. STAKEHOLDER CONSULTATIONS

In the context of the review of the current Progress programme, the Commission organised a two-steps consultation:

1. A working group gathering the programme's key stakeholders representatives[76] was set up to provide the Commission with a set of recommendations on the future instrument's design, objectives, implementation and funding (the main recommendations are presented below).

2. A public online consultation on a possible successor instrument to the Progress programme was carried out between 4 April and 27 May 2011[77]. The key issues addressed were: designing the successor instrument to fit the Europe 2020 Strategy, targeting the actions to maximise added value, improving delivery mechanisms, and ensuring complementarity and coordination with other policies and instruments. The consultation covered all Progress participating countries (EU 27 Members States, EFTA/EEA countries, candidate and potential candidate countries).

Furthermore, given that Progress is implemented through a results-based management approach, the Commission regularly monitors the progress achieved towards expected results against clearly defined performance indicators. In this context, an annual survey, targeted at policy and decision-makers, social partners, NGOs and networks at both EU and Member State levels is carried out to measure satisfaction with PROGRESS outputs and the extent to which they contribute to meeting the programme's objectives. The results are taken into account for designing the successor instrument.

The 2011 meetings of EURES Working Party and Heads of Public Employment Services (PES) held specific discussions on the future on EURES.

With regard to microfinance support, the Commission has collected the views of the European Microfinance Network (EMN), which represents the European microfinance sector, managing authorities of the ESF in the context of the learning network on inclusive finance (Community of Practice on inclusive entrepreneurship, CoPIE and specifically its working group on access to finance) and of the European Investment Fund, which implements Progress Microfinance on behalf of the Commission and the European Investment Bank. Moreover the findings of two workshops organised by DG MARKT which provided input into the Commission's Social Business Initiative and which covered both microfinance and social entrepreneurship support have been taken into account.

4.1. The Progress programme

Feedback from both the Progress Key Stakeholder Working Group and the above-mentioned public consultation revealed a high level of satisfaction with the programme.

Key stakeholders, who include next to the Member State representatives also social partner organisations and civil society organisations, suggested continuing the programme as a stand-alone instrument, and its main activities (analytical, mutual learning and support to main actors) with few improvements relating to:

[76] National authorities, social partners and EU-level networks of civil society organisations. The Group met twice in January and February 2011.

[77] The results of the public consultation (a summary report and individual responses) can be found at: http://ec.europa.eu/social/main.jsp?catId=699&langId=en&consultId=6&visib=0&furtherConsult=yes

- The dissemination of the PROGRESS outputs and results;
- Reporting requirements placed on beneficiaries;
- A better mainstreaming of gender equality and anti-discrimination objectives;
- Further synergies with other EU financial instruments supporting the Inclusive Growth priority, in particular the European Social Fund.

None of 171 respondents to the public online consultation challenged the need for a successor instrument to Progress. Respondents gave a number of reasons why they believe there is a need for such a new EU financial instrument:

- The financial crisis and its impact on social protection and equality perspectives underscore the need for enhanced coordination of employment and social policies across Europe. The successor to Progress should help to establish consensus on the right policy approach on social problems through it support to the Open Method of Coordination.

- An EU financial instrument is an indispensible tool to enable transnational initiatives involving stakeholders on all levels. Activities such as mutual learning and collecting and comparing data from various Member States are seen to be vital to continue improving the formulation and implementation of policies at EU and national level. They are also seen as essential for improving understanding and ownership of EU objectives.

- The future EU financial instrument should have a clear focus on international cooperation and European level actions and thus bringing about stronger EU dimension and complementarity to the ESF.

- Many respondents (in particular public authorities) emphasise the importance of monitoring the application of EU legislation in the Member States and stress that this objective should remain a key priority for the successor programme.

Several respondents call for an integrated approach to combat unemployment, social exclusion and poverty. In particular, 79% consider that it is very relevant or relevant for the future instrument to support intra-EU mobility as well as self-employment and entrepreneurship as means to job creation.

A number of respondents praised activities under the current Progress programme that contributed to innovations in social policies and confirmed that there was a need for social innovations to combat the negative impacts of the financial crisis. They confirmed that very often government programs in the field of social policy suffered from a lack of robust evidence of what does and does not work. They suggested that the future instrument should support social innovation through transnational projects. Yet, identification and promotion of innovative approaches should be accompanied by a sustainable implementation strategy. In this context, several respondents indicated that where the successor instrument to Progress could identify best practices, the implementation should be a matter for the ESF.

Regarding the geographical coverage, respondents from non-EU countries suggested that greater synergy between the new programme and the ESF could limit the possibility to participate for EEA/EFTA countries and candidate countries.

4.2. EURES

The stakeholders' survey within the EURES evaluation[78] showed that the EURES Job Mobility Portal is appreciated by jobseekers, job changers and employers who clearly see the benefit in being able to access or post information on vacancies across Europe. The opportunity to upload their CV onto the Portal was considered the most useful service on the Job Mobility Portal. The EURES adviser network adds value to the services provided on the Job Mobility Portal. These two mechanisms complement and reinforce each other. Evidence from the jobseekers and job changers survey indicated that those jobseekers and job changers who applied for jobs and who received support from a EURES adviser were slightly more likely to get a job than those who simply used the Job Mobility Portal.

It was also indicated that EURES plays a role in individuals' job search activities; hence can be considered as having a role in minimising the costs of transitions between and into jobs. Evidence from the jobseekers and job changers survey indicated that those jobseekers and job changers who applied for jobs and who received support from a EURES adviser were slightly more likely to get a job than those who simply used the Job Mobility Portal. In addition, the longer a person had used the EURES services increased the likelihood of them securing a job.

The adequacy and appropriateness of the data provided on the Job Mobility Portal were however found questionable. While the views from managers and advisers vary and tended to be negative; employers, jobseekers and job changers were generally more positive about the available information.

Responsibility for the labour market information and information on living and working conditions rests with the EURES members; hence concerns about the quality and periodicity of data should be discussed by the network.

4.3. The European Progress Microfinance Facility and support to social enterprises

The European Microfinance Network has pronounced itself in favour of a continuation of support to microcredit providers like Progress Microfinance.

However, according to EMN, Progress Microfinance alone as an investment tool will have limited impact on employment and enterprise creation without efficient and sufficient intermediaries. Therefore a parallel investment in capacity building is required to support the development of existing microfinance institutions with growth potential and to support the emergence of new ones. JASMINE in its current form has limited ability to change the state of play (in terms of funding and scope of intervention). A long term capacity building instrument for microfinance institutions is missing in connection to Progress Microfinance. EMN pleads for the introduction of a new capacity building component into Progress Microfinance that uses grants to finance innovation, institution building and tools to develop the Microcredit sector as a whole.

As far as the setup is concerned, EMN calls for an improved coordination and simplification of procedures, and in particular a better link between capacity building and funding. Funding could then be made conditional on achievements in terms of capacity building including aspects like covering governance and management, institutional funding, technological development, portfolio development, client outreach and risk management.

[78] Ex-post evaluation of the EURES programme covering the period 2006-2008, EPEC 2010.

On May 25-26 2011 the Commission services (DG MARKT) organised a Workshop on "A European Ecosystem for Social Business" which brought together more than 60 representatives of stakeholders and social impact inventors, social entrepreneurs, and experts, to discuss key issues in overcoming issue barriers to the development and growth of social enterprise, and in particular to make recommendations for EU level action. Participants in the workshop on microfinance highlighted that EU level action should:

- Maintain/enhance the industry's reputation;
- Cater for diversity;
- Ensure sustainability of MFIs esp. funding/expertise;
- Base policy on accurate data/solid evidence.

Specific action should include strategic guidance on how best to establish efficient national frameworks for micro-finance and by enabling the swapping of good practices; putting on the EU and national agendas the key message that MFIs play a big role in helping marginalised/unemployed especially in the context of spending cuts; all should have access, and the establishment of open EU social business funds which could finance MFIs as defined earlier, as well as other social businesses, and into which retail as well as wholesale investors can invest in.

Participants in the workshop on access to finance for social business stressed the underdevelopment of the market for social investment, characterised by a mismatch between supply and demand sides. Some of the key factors mentioned were an insufficient investment readiness of social enterprises, the need for patient capital, and a lack of market infrastructure. In addition, social investors miss clear measurements for social impact.

The Commission was asked to support communication about what social business is and where the successes of social business lie; to help increasing the trust and confidence in the social business and social investments and transparency in the market by supporting developments towards standardised reporting or accounting, to strengthen the role of intermediaries and facilitators between social business and capital, and the use EU funding for developing the market for social investments, which again would be a strong signal to the markets that this type of business deserves trust and would therefore help to attract investors.

5. BASELINE SCENARIO

In the case of **the Progress programme**, the baseline scenario assumes that the current scheme is prolonged, with the same thematic scope, but without the gender equality and anti-discrimination sections (to be part of DG Justice Programmes[79]). The budget reduced by 35% and the programme's deficiencies (in particular, rigid financial allocation, administrative burden linked to annual monitoring) would mean that the potential of the programme was significantly reduced. Policy coherence between Progress activities, microfinance and social entrepreneurship support and intra-EU mobility of workers (through EURES) would not be ensured in a systematic way. In addition, social experimentation would not be given a prominent place in the new programme through lack of a dedicated budget. As a consequence, the development and dissemination of social innovation approach on a larger scale in the European Union would continue to be hampered by a number of obstacles (see section 2.1).

In the case of **EURES**, the baseline scenario assumes the continuation of the activities in the current form. EURES predates the European Employment Strategy (1997) as well as the Lisbon strategy for Growth and Jobs (2000). So the EURES objectives were broadly defined in 1968. They covered for matching and placement; but did not attempt making full use of the European exclusive competence provided by the Treaty in the field of free movement of workers to improve labour market performance (matching and placement when there is a market need e.g. bottleneck vacancies, niche vacancies, skills mismatches) and consequently to advance the overall European employment situation.

- EURES would not be modernised, which means it could neither provide targeted mobility schemes (including the preparatory action 'Your first EURES Job'), nor pursue a strategy of simplification of its administrative structure.

- EURES would not comply with the obligation to specify in which form private Employment Services will be part of EURES 2020[80], thereby translating the rulings of the European Court of Justice[81], which has called for the opening of all placement services to competition.

[79] COM(2011)500 final. A Budget for Europe 2020 - Part II - Policy Fiches - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

[80] Currently the DG EMPL is considering the practical arrangements for opening up EURES to private employment services (PRES): Three main option have been brought forward until now: a) cooperation with non public employment services at EU level is limited to certain kind of programmes, like Your First EURES Job, legal constraint (Case C-55/96, par.21)as this clearly a placement activities b) non public employment services are fully included in the EURES network at national and EU level on a completely equal foot as the public employment services (this option is the least preferred); c) non public employment services included in the EURES network, but activities at national level are coordinated by the Public Employment Service in line with delivery of other PES services. The legal aspects of the opening to PRES need to be further analysed. According to regulation 1612/68 and codified 492/2011 EURES members are designated by the Member States. This aspect needs further analysis in connection with case ruling (Case C-55/96, par.21) where placements are considered as an economic activity.

[81] The Court specified that "…the placement of employees is an economic activity" (Case C-55/96, par.21) and furthermore indicated that when "the placement activities in question could extend to the nationals or the territory of other Member States" (Case C-55/96, last sentence of the conclusions), they cannot be done exclusively by the public service

The baseline scenario anticipates a prolongation of the current set-up: **the European Progress Microfinance Facility** would continue to provide funded instruments to microcredit institutions as a stand-alone instrument under joint management with the European Investment Fund. No new resources would be made available, which would mean that the last investment by the European Investment Fund would be made in 2016 as stipulated by the Decision establishing Progress Microfinance.

However, the baseline scenario would only be partially satisfactory because support to microcredit would stop in 2016 (guarantees until 2013) and no funding for institutional capacity building would be available. According to EMN, there is a risk that Progress Microfinance does not reach entrepreneurs and potential self employed people due a lack capacity of microcredit providers in Europe and low ability of traditional financial actors to deliver microfinance. The lack of capacity building would hence jeopardise the objective of bringing the microcredit sector to maturity as quickly as possible to improve access to finance especially for people in a vulnerable position.

As outlined above, restricting funding to social enterprises to the sole provision of microcredit would not be effective for developing the sector and fully benefit from its contribution to the achievement of the Europe 2020 targets.

6. OBJECTIVES, EXPECTED RESULTS AND INDICATORS FOR THE PROGRAMME

6.1. The objectives of the programme

The new programme will contribute to the implementation of the Europe 2020 Strategy, its mutually reinforcing headline targets and Integrated Guidelines by providing financial support for the European Union's objectives in terms of promoting a high level of employment, guaranteeing adequate social protection, fighting against social exclusion and poverty and improving working conditions.

The Programme will seek to achieve the following **general objectives**:

(a) Strengthen ownership of the Union objectives in the employment, social and working conditions fields among key Union and national policy-makers, as well as other interested parties in order to bring about concrete and coordinated actions at both Union and Member State level;

(b) Support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, by promoting good governance, mutual learning and social innovation;

(c) Modernise Union law in line with the Smart Regulation principles and ensure that Union law on matters relating to working conditions is effectively applied;

(d) Promote workers' geographical mobility and boost employment opportunities by developing Union labour markets that are open and accessible to all;

(e) Promote employment and social inclusion by increasing the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and by increasing access to finance for social enterprises.

In pursuing its objectives, the programme shall aim to promote equality between men and women and combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The programme shall also ensure that the requirements linked to the promotion of a high-level of employment, the guarantee of adequate social protection and the fight against social exclusion are taken into account in the definition and implementation of the Union's policies and activities.

The results of the actions shall be suitably communicated and disseminated in order to maximise their impact, sustainability and EU added value.

The following **specific objectives** will need to be met in the future across the programme sections:

PROGRESS section:

1. Develop and disseminate high-quality comparative analytical knowledge in order to ensure that Union employment and social policy and working conditions legislation are based on sound evidence and are relevant to needs, challenges and conditions in the individual Member States and other participating countries;

2. Facilitate effective and inclusive information-sharing, mutual learning and dialogue on Union employment and social policy and working conditions legislation at Union, national and international level in order to assist the Member States and the other participating countries in developing their policies and in implementing Union law;

3. Provide policy-makers with financial support to test social and labour market policy reforms, build up the main actors' capacity to design and implement social experimentation, and make the relevant knowledge and expertise accessible;

4. Provide Union and national organisations with financial support to step up their capacity to develop, promote and support the implementation of Union employment and social policy and working conditions legislation.

EURES section:

5. Ensure that job vacancies, job applications and any related information are transparent for the potential applicants and the employers; this shall be achieved through their exchange and dissemination at transnational, interregional and cross-border level using standard interoperability forms;

6. Develop services for the recruitment and placing of workers in employment through the clearance of vacancies and job applications at European level; this shall cover all phases of placement, ranging from pre-recruitment preparation to post-placement assistance with a view to the applicant's successful integration into the labour market; such services shall include targeted mobility schemes to fill vacancies where labour market shortcomings have been identified and/or help particular groups of workers such as young people.

Microfinance and Social Entrepreneurship section:

1. Increase access to, and the availability of, microfinance for:

   (a) persons who have lost or are at risk of losing their jobs, or who have difficulty in entering or re-entering the labour market, persons at risk of social exclusion and vulnerable persons who are in a disadvantaged position with regard to access to the conventional credit market and who wish to start up or develop their own micro-enterprises;

   (b) micro-enterprises, especially those which employ persons as referred to in point (a);

2. Build up the institutional capacity of microcredit providers;

3. Support the development of social enterprises, in particular by facilitating access to finance.

6.2. Definition of indicators

It is not always possible to find indicators which adequately measure the intended objectives and benefits/effects of the programme. In those cases the following types of indicators could be used:

- a leading indicator**:** a well-designed programme will not be limited to performance targets at the end of its implementation, but will also specify intermediate targets to monitor progress. These so-called *leading* or *process* indicators enable to determine whether the chosen implementation strategy, reflected in the selected outputs, is effective and progress is being made toward meeting the desired outcome.

- a proxy indicator: direct indicators are not always practical and can require extensive and expensive data gathering; in such cases proxy indicators may be used. Generally, proxy indicators may be used if (i) the result is not directly observable, e.g., quality of policy or organisation development; (ii) the cost of direct measurement is too high; and (iii) the result is achieved after a long time. For these reasons a number of suggested indicators presented below are indeed proxy indicators.

The indicators designed for the general and specific objectives are grouped into two categories:

- primary (core) indicators, which are aimed to convey the key direction of the expected change under a given objective (i.e., results, impact);

- secondary (facultative) indicators, which supplement the first group indicators by adding additional dimensions for their interpretation (i.e., efficiency, scope, other process-related characteristics).

There are also indicators intended to measure the extent to which gender equality and anti-discrimination issues are addressed across the programme's activities.

6.2.1. Indicators for general objectives

Considering the time lag between the delivery of outputs and their impact on the longer term (general) objectives, progress towards meeting these objectives should be measured as a rule at three-yearly intervals.

Indicators	Current situation	Long-term targets
Strengthen ownership of the Union objectives in the employment, social and working conditions fields among key Union and national policy-makers, as well as other interested parties in order to bring about concrete and coordinated actions at both Union and Member State level		
Active participation of stakeholders at the EU and Member State levels in debating common challenges and taking concrete action to tackle them	There is no uniform method to measure the level of involvement of stakeholders in policy debate. Recent evaluations[82] have revealed that stakeholders' participation varies depending on policy issue and across the Member States. Latest Annual PROGRESS Performance Report suggests a tendency for authorities (EU, national, regional or local) to have closer ties with each other than with social partners and NGOs.	Equally active participation of all relevant stakeholders at the EU level and across all the Member States
Acceptance of the relevant country-specific recommendations	The indicator is based on the Country-specific Recommendations which have been issued in June 2011 for the first time. The previous proxy measurement could be an assessment of how well did the Member States align their employment and social policies with the EU objectives (based on the Commission assessment of the previous NSRs and content of the previous Country-Specific Integrated Recommendations), which suggests that up to three quarters of the Member States have policy or strategies consistent with EU objectives.	All Member States accept the Country-specific Recommendations in the employment, social and working conditions fields (as attested by the strategies and policies reported in the subsequent National Reform Programmes)
Support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, by promoting good governance, mutual learning and social innovation		
Incidence of up-take of social innovation results in the design and implementation of active labour market and social protection policies	Supporting social innovation is a new area of intervention. There is a lack of more systematic approach to full use of the social innovation results in active labour market and social protection policies.	Every Member State in its National Reform Programme reports at least one example of planned or actual up-take of available social innovation results in the design and implementation of its active labour market and social protection policies
Awareness of social	As above.	As above.

[82] Evaluation of the Social OMC, 2011; Study on Stakeholders' Involvement in the Implementation of the Social OMC, 2010.

innovation		
Modernise Union law in line with the Smart Regulation principles and ensure that Union law on matters relating to working conditions is effectively applied		
Share of: (a) the legislative acquis (directives) comprehensively reviewed (b) resulting number of substantive proposals to revise (abandon, merge) existing or to initiate new legislation	(a) One directive (the Working Time Directive) is currently under review. (b) n/a.	(a) 100 % of directives on matters relating to working conditions are comprehensively reviewed by the end of the programme. (b) Wherever appropriate, the Commission would have initiated action to amend, clarify or simplify existing legislation or initiate the new one, if justified by an impact assessment, and, where relevant, after consulting EU social partners.
Compliance in the Member States with EU legislation (transposition rate and fragmentation factor)	In 2010, the transposition rate was 98.3% for labour law directives and 100% for health and safety at work directives; the corresponding fragmentation factors were 5% and 0%. Historical analysis indicates that these rates tend to get worse after introduction of new legislation. In the light of possible Commission's action to amend, clarify or simplify the existing or initiate the new legislation, it is important to maintain the high transposition factor and low fragmentation rate.	100% transposition rate, and correspondingly low, 0% fragmentation factor
Active implementation and enforcement	Currently, the presence of active implementation and enforcement is assessed qualitatively (through evaluations and networks of independent experts) and varies by directive and by country.	100% of working conditions-related directives are actively implemented and enforced in almost all Member States (qualitative assessment)
Promote workers' geographical mobility and boost employment opportunities by developing Union labour markets that are open and accessible to all		
Impact of geographic mobility on MS' GDP	There are preliminary attempts to model and assess the impact for specific countries (i.e. UK ad Ireland) yet, they do not cover the entire Union. The Employment in Europe report 2008 estimated that mobility flows from the EU-8 have added an extra 0.4% to the Irish GDP and 0.3% to the UK's GDP	Impact of geographical mobility on MS's GDP is assessed for the entire Union and is positive. The long-run estimate forecasts an extra 1.7% to GDP in Ireland and 0.6% in the UK by 2015 compared with the pre-enlargement situation.

	by 2007.	
Impact of geographical mobility on the reduction of unfilled/bottlenecks job vacancies,	There are preliminary attempts to model and assess the impact for specific countries, yet they do not cover the entire Union.	Impact of geographical mobility on the reduction of unfilled/bottleneck job vacancies is assessed for the entire Union and is positive.
Difference in labour market participation and employment rates of mobile workers between the host country and the country of origin	Mobile workers in the sense of intra-EU mobility tend to have higher employment rates than non mobile workers.	Information will be made available from Eurostat's Labour Force Survey and other statistics.
Promote employment and social inclusion by increasing the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and by increasing access to finance for social enterprises		
Number of businesses created or consolidated that have benefitted from EU support	0	51000 (of which 1000 social enterprises)
Number of jobs created or maintained through the establishment or development of a business	According to an evaluation of the CIP programme, per microloan provided, 1.2 jobs were created.	
Profile of persons (age, gender, minority, employment status…) that have created or further developed a business with EU microfinance support	Not available	50% of beneficiaries are unemployed people or from disadvantaged groups

6.2.2. Indicators for specific objectives

Progress towards meeting specific objectives should be measured on an annual basis.

Progress section

For the Progress section, it is impossible to make its four specific objectives genuinely measurable while they are specific, accepted, realistic and time-dependent. For instance, mutual learning events cannot be quantified because their number and topics depend on Member States interests and will to host such events and participate in them. The volume of knowledge produced depends on the needs of policy development.

These objectives by their very nature are therefore assessable only by means of subjective variables, like satisfaction of and knowledge among stakeholders, surveys investigating on the perception of EU role in social and employment policy debates as well as intended and actual use of outputs for policy-making. For the similar reasons, it is not possible to provide medium-term targets. Nevertheless, this approach remains in line with result based management which foresees setting effective targets at a level close to the activity as such.

Indicators	**Latest known results**	**Medium term target**
Develop and disseminate high-quality comparative analytical knowledge in order to ensure that Union employment and social policy and working conditions legislation are based on sound evidence and are relevant to needs, challenges and conditions in the individual Member States and other participating countries		
Stakeholders satisfaction with and declared use of knowledge generated by the programme	Various stakeholders (Commission, EP, national administrations, implementing bodies, social partners, NGO, etc.) use the knowledge generated by the current Progress programme. Its 2010 Annual Survey indicates that those aware of the generated knowledge (about 50%) find it helpful (around 85% of responding stakeholders) and (plan to) use it.	Extend the scope of stakeholders who are aware of the knowledge generated by the programme (increased awareness of the key outputs: 75% of the responding stakeholders), and keep the high satisfaction rate (85% or more of responding stakeholders)
Share of policy initiatives launched by DG EMPL which are informed by the knowledge generated by the Programme	Not available.	100% of EU employment and social policy initiatives and action on working conditions legislation are informed by the knowledge generated by the Programme
Share of effort[83] dedicated to development of new (previously inexistent) knowledge (ideas, concepts, approaches, models, forward-looking analysis)	There is no exact estimate, but the share of budget allocated to generation of the said type of knowledge is around 10-20% (the overall share of budget going to evidence-based policy is around 19%, with other parts of the programme focusing on dissemination, learning, capacity building and networking, which are primarily based on sharing the existing knowledge; also, not all support to evidence-based policy is targeted at development of new knowledge). This share is expected to grow, especially in the light of the emphasis on social innovation.	At least 25% off the budget is dedicated to development of new (previously inexistent) knowledge (ideas, concepts, approaches, models, forward-looking analysis)

[83] To be measured as the estimated share of budget allocated to generation of the said type of knowledge.

Facilitate effective and inclusive information-sharing, mutual learning and dialogue on Union employment and social policy and working conditions legislation at Union, national and international level in order to assist the Member States and the other participating countries in developing their policies and in implementing Union law		
The declared gain of better understanding of EU policies and objectives (including relevant gender and non-discrimination mainstreaming)	Around 89% of the respondents to 2010 Annual Survey claim to have gained better understanding of EU policy objectives by participating in Progress-funded events.	9 out of 10 stakeholders claim to have gained better understanding of EU policies and objectives by participating in programme-funded events.
The extent to which mutual learning/information sharing events are inclusive and meet minimum standards for consultation	The 2010 follow-up survey reveal that the Progress-funded mutual learning events are highly appreciated for the clarity of discussed issues and involvement of the relevant decision makers (4 out of 5 responding stakeholders express positive opinion), yet slightly less positive what concerns involvement of other stakeholders (social partners, NGOs, etc.).	4 out of 5 stakeholders claim that mutual learning/information sharing events are inclusive and fully meet all the standards for consultation.
The declared (intended/actual) use of acquired information for policy-making/advocacy by the involved participants but also other decision-makers and stakeholders	Ex-post survey of Progress-funded events in 2010 revealed that around 2/3 of participants intended or actually used the acquired information for policy making or advocacy. The essential challenge (especially in the case of mutual learning events) however is to promote the sharing of acquired information with other relevant decision makers and stakeholders (i.e., those, who did not participate).	- 3 out of 4 involved participants declare (intended/actual) use of acquired information. - Improved sharing of information with other decision makers and stakeholders (non-participants)
Provide policy-makers with financial support to test social and labour market policy reforms, build up the main actors' capacity to design and implement social experimentation, and make the relevant knowledge and expertise accessible		
The declared (intended/actual) use of acquired information for policy-making/advocacy and or further social experiments by involved participants but also other decision-makers and stakeholders	Supporting social innovation is a new area of intervention, so there is no baseline.	Due to novelty of this type of activity it could be expected that up to 2/3 of involved participants declared intended or actual use of information acquired through social experimentation for policy making/advocacy and or further social experiments.
The presence of adequate conditions (financial resources,	Supporting social innovation is a new area of intervention, so there is no	All the key preconditions (financial resources, accessibility to relevant know

accessibility to relevant know-how and expertise) to design and implement social experiments in the field of EU employment and social policy: adequate capacity of the main actors	baseline.	how and expertise, capacity of the main actors) to design and implement social experiments in the field of EU employment and social policy are assessed (e.g., by evaluation) as sufficient
Provide Union and national organisations with financial support to step up their capacity to develop, promote and support the implementation of Union employment and social policy and working conditions legislation		
Strengthened organisations and networks being acknowledged as a useful source of information for the EU and MS policy and decision-makers and other stakeholders	There is no comprehensive baseline for all types of organisations and networks which are planned to be supported under the new programme. Currently (2011), there is only data that up to 9 in 10 of responding stakeholders in general, and some 3 out of 4 responding decision makers and officials in particular assess the best performing key EU networks and NGOs as a useful source of information.	The most assisted organisations and networks are acknowledged by 3 out of 4 surveyed decision-makers and other stakeholders as a useful source of information to on the EU and Member States' policy
The declared change in capacity[84] to further develop, promote and support the implementation of EU employment and social policy and legislation by the participants (individuals or organisations, as relevant) involved in the supported capacity strengthening measures	There is no comprehensive baseline for this type of self-assessment by the participants (individuals or organisations, as relevant) involved in the supported capacity strengthening measures. The first results of similar performance measurements introduced by the Progress-funded key EU networks and NGOs indicate positive change, especially what concerns acquiring specific knowledge relevant to policy making and advocacy, with somewhat less success in improving internal organisation.	A uniform performance measurement system to monitor change in policy advocacy capacity introduced for all types of assisted organisations and networks 3 out of 4 participants involved in the supported capacity strengthening measures declare improved capacity to further develop, promote and support the implementation of EU employment and social policy and legislation

[84] Capacity is understood here as: knowledge relevant to policy making and advocacy; skills and ability to actively and effectively advocate them; (in case of organisation) improved internal organisation (incl. improved strategic planning and performance management).

EURES section

Ensure that job vacancies and applications, and any related information are transparent for the potential applicants and the employers		
Total number of job vacancies and CVs on EURES Job Mobility Portal, currently the EURES portal hosts more than 1,000,000 job vacancies, and 600,000 CVs	Currently EURES portal hosts more than 1,000,000 job vacancies, and 600,000 CVs	The number of vacancies is expected to grow at a rate of 3% per year.
Number of recruitment/ placements and job offers made through the EURES Job Mobility Portal	Currently estimated at 150.000 placements per year	The services responsible for EURES launched a study on "Evaluating Public Employment Services' performance measurement systems and recommendations on geographical mobility indicators" to indentify indicators for EURES 2020.
Develop services for the recruitment and placing of workers in employment through the clearance of job vacancies and applications at European level		
Number of transnational placements facilitated by EURES. Increase the number of placements by 3% per year (currently estimated at 150.000 placements per year)	The Commission has only recently launched the preparatory action for the first targeted mobility scheme "Your first EURES job". According to estimates, it will contribute to the placement of 2000 to 3000 young workers.	See above

Microfinance and social entrepreneurship section

Increase access to, and the availability of, microfinance		
Number of microloans provided by intermediaries to final beneficiaries with EU support. (50000 microloans provided by the end of the total investment period)	0	50000 microloans provided by the end of the total investment period
Volume of microloans provided in € (a total volume of 500 million, (corresponding to a leverage of 5 times the EU contribution)	Not available	A total volume of 500 million, (corresponding to a leverage of 5 x the EU contribution.
Profile of final beneficiaries (age, gender, minority, employment status…) that have received a microloan with EU support. (50% of beneficiaries are unemployed people or from disadvantaged groups)	Not available	50% of beneficiaries are unemployed people or from disadvantaged groups
Build up the institutional capacity of microcredit providers		
Number of micro-credit providers supported through funding for capacity building (50 microcredit providers supported by the end of the support period)		50 microcredit providers supported by the end of the total investment period
Level of institutional capacity in terms of funding, human resources, operational management as well as systems and infrastructure (Higher	In 2009, weaknesses in capacity building identified were difficulties to cover start-up and operative costs, underdeveloped systems for performance measurement and analysis, only average capacity levels regarding human resource management and a lack of capacity by	Higher capacity of the sector compared to level identified in 2009

capacity of the sector compared to level identified in 2009)	non-bank microcredit providers for networking and co-operation[85]	
Support the development of social enterprises		
Number of social enterprises that have been supported through the initiative (1000 social enterprises supported)	0	900 social enterprises supported by the end of the total investment period
Volume of investment provided to social enterprises (270 million, leading to a leverage of 3 times)	0	270 million, corresponding to a leverage of 3 times the EU contribution

[85] Evers and Jung / EMN, EIF Market studies on micro lending in the European Union: *capacity building and policy recommendations*, March 2009. According to the study, institutional capacity encompasses vision and strategy, funding, human resources, operational management and systems and infrastructure.

7. ALTERNATIVE APPROACHES

7.1. Alternative delivery options

7.1.1. The Progress programme

In the case of the Progress programme two options can be envisaged: 1) Status quo with some changes, and 2) merging Progress with other EMPL instruments implemented through direct management.

Option 1: The differences between this option and the baseline scenario (= status quo) are: alignment of the programme objectives with Europe 2020 priorities; a strong emphasis on the promotion of gender and anti-discrimination mainstreaming; more flexible financial allocation, focus on funding of larger projects. **Option 2:** Integration into a new programme which provides for continuation and development of activities currently carried out under Progress, EURES and the European Microfinance Facility.

The new programme is made up of three sections:

1. PROGRESS,
2. EURES and
3. Microfinance/Social Entrepreneurship.

The new programme promotes innovative ways of responding to long-standing social challenges linked to unemployment, poverty, ageing and climate change. Namely, it creates a sound knowledge base for the development of modern and effective policy and legislation in the employment and social fields. Financial support is provided for identifying, evaluating and scaling up of innovative solutions and practices to better assist the Member States in reforming their labour market and social protection policies. It catalyses innovative partnerships between public, private and third sector actors and supports their involvement in the definition and implementation of new approaches to tackling social needs and societal challenges. The programme also promotes access to finance for social enterprises and their full participation in society, thereby strengthening the involvement of the business sector in social innovation processes.

7.1.2. EURES

Option 1: Status quo

Option 2: Reform EURES i.e.

- Simplify and rationalise its intervention logic by developing EURES services in relation with both outgoing/incoming placements and recruitment services where there is an economic need and will to fill open job vacancies, and by including targeting mobility schemes.

- Reform its administrative management, via the restructuring of its activities into a) vertical i.e. national and cross border activities under "shared management" (ESF) ; b) horizontal i.e. EU level activities under the new integrated direct management tool for PROGRESS.

- Ensure the consistency of its financial instruments in light of its new organisational structure

Option 3: No action at EU level

7.1.3. Microfinance and Social Entrepreneurship

For the microfinance and the social entrepreneurship section, a distinction can be made between options related to the content and those focused on delivery.

Content options

The content options distinguish themselves by the scope of the action.

Option 1: Continuation on the basis of the current setup (microfinance support alone)

This option would imply a new instrument along the lines of the current European Progress Microfinance Facility. The geographical scope would remain the same, i.e. it would be limited to microfinance institutions operating in the Member States of the European Union.

The range of products would be the same as under Progress Microfinance, i.e. including guarantees (as well as counter-guarantees) implemented through a cascade of financial institutions by the European Investment Fund under a fiduciary management agreement concluded with the European Commission and funded instruments (direct and indirect equity, senior loans, subordinated loans, funded risk-sharing instruments) delivered by a specialised investment fund, with the EIF as management company and the Commission and the European Investment Bank as investors (with the possibility of other third investors).

Option 2: Widened scope to include capacity building and with extended geographical coverage (microfinance support)

This option foresees an extension of the scope both in terms of geographical coverage and content compared to the current setup. The new instrument would support microfinance not only within the EU, but also in the EFTA/EEA countries, the accession and candidate countries..

In terms of content, funding for capacity building would be added. This could be done in two ways:

Funding would be provided in the form of equity and loans. This would be very similar to the funding provided as part of a current preparatory action of the European Parliament under JASMINE[86]. In addition to the equity investments and loans, grants could be provided to microcredit providers. This could be done in the form a certain amount per loan provided (as currently done under CIP).

Option 3: Widened scope for microfinance support to include capacity building, with extended geographical coverage, complemented by dedicated support for developing social enterprise

As option 2, this scenario foresees and extension of the geographical coverage to the EFTA/EEA countries, the accession and candidate countries. In terms of content, funding for capacity building including through grants would be provided (like under option 2). In addition, support in the form of investments into social funds would be made available to support the development of social enterprises.

[86] Based on a European Parliament Preparatory Action.

Delivery options

The delivery options distinguish themselves by the degree of flexibility / standardisation.

Option A: Continuation on the basis of the current setup

This option would imply joint management of the new instrument with the European Investment Fund on the basis of a new/renegotiated Fiduciary and Management Agreement for the guarantees and the current specialised investment fund for the funded instruments. The new facility would continue to be a stand-alone instrument.

Option B: Direct management by the Commission within an integrated programme of DG EMPL

Under this option, the new instrument would be directly managed by the Commission as part of the integrated programme for employment and social inclusion instead of being managed jointly with the EIF. The Commission would have to find partners through a call for tenders. No standardisation of the process through equity and debt platforms would take place.

Option C: Joint management and establishment of a dedicated investment vehicle within an integrated programme of DG EMPL

This option foresees that the new instrument is jointly managed with the European Investment Fund. In addition to the guarantee window, a dedicated investment vehicle will be established for the delivery of the funded instruments. The new instrument would be part of the integrated programme for employment and social inclusion. The dedicated investment vehicle would be put in place on the basis of the Commission's equity and debt platforms and open to ring-fenced compartments from Member States and regions under the European Social Fund.

7.2. Detailed assessment of options

7.2.1. PROGRESS

Option 1 would on the one hand provide for the continuation of Progress as stand-alone instrument supporting the development, coordination and monitoring of EU employment and social policy and legislation, and, on the other hand, for a number of improvements. Namely, the objectives of the renewed instrument would be optimally aligned on Europe 2020 priorities. Its thematic scope would be limited to the employment, working conditions, social protection and social inclusion areas; however, in pursuing its objectives, the programme would promote gender equality and anti-discrimination dimensions. The programme would carry on with funding of its traditional types of actions (analytical and mutual learning activities, and support to main actors) which are considered as effective in meeting the programme's objectives[87]. Without the gender equality and anti-discrimination sections, the new programme would also be much smaller and as such would not have the critical mass needed to achieve its policy objectives.

However, some improvements at management level would increase the programme's efficiency and effectiveness. In particular, the rigid allocation of the Progress budget to its different policy sections would be suppressed.

[87] See Interim report of PROGRESS mid-term evaluation and annual performance monitoring reports (2007-2010). Respondents to the public consultation, including national authorities, made also a strong case for the continuation of the analytical and mutual learning activities which are considered are highly relevant to the EU objectives in the employment and social policy field.

The Commission would thus be able to better respond to political imperatives and changing circumstances. As recommended by the mid-term evaluation, a multi-annual programming would be developed to set more strategic long-term policy objectives combined with annual funding priorities. Results-based management approach with its focus on regularly measuring progress towards the programme objectives would be maintained; however, reporting requirements placed on beneficiaries would be reduced. This measure would be in line with the results of stakeholder consultation. Lastly, the dissemination of the programme results would be significantly improved in order to ensure better sharing of knowledge and sustainability of EU action.

The main advantage of **Option 2** is a high degree of rationalisation of EMPL financial tools. This option would enable the Commission to increase policy coherence and impact of its instruments which pursue common objectives in the employment, social affairs and inclusion fields, i.e. Progress, EURES and the European Microfinance Facility contribute to the implementation of the European Employment Strategy. In addition, the current Progress programme (2007-2014) already promotes a number of activities linked to labour mobility and relevant for EURES activities (such as cooperation between the Heads of Public Employment Services, funding of the European employment observatory, ESCO[88], several studies and statistics on matching skills and jobs, etc.). It also finances the operating costs of the European Microfinance Network which promotes the use of the Microfinance Facility. Further complementarity between these three instruments is therefore essential. In particular, the aim of improving self-employment cannot be achieved in isolation from other policies, supported through the Progress programme. Namely, it requires a more stable economic environment, a shift from subsidised financing to capacity development, a reduction of the administrative burden and labour costs, an increased focus on flexicurity, fostering lifelong learning, and better research and evaluation. Harmonising the rights of self-employed workers with those of employed individuals, including social protection, provides greater legal security to both employed and self-employed workers.

This option would therefore be in line with the Budget Review Communication calling for both integrated instruments and a strong coordination to deliver the Europe 2020 objectives.

Across its three sections (Progress, EURES and Microfinance and Social Entrepreneurship), the new programme would promote innovative ways of tackling social needs and societal challenges. Actions under the Progress section will aim at speeding up mutual learning, building commitment to EU employment and social objectives, supporting innovative partnerships (between public, private and third sector actors) and establishing a sound knowledge and evidence base for policy-making. These types of activities are in accordance with the programme's legal basis[89] and the EU's role in the employment and social policy fields (mainly to act as a catalyst for change, facilitate co-operation between Member States and ensure correct implementation of EU law as Guardian of the Treaty).

[88] ESCO stands for the European multilingual taxonomy of Skills & Competences, qualifications and Occupations.

[89] Article 149 states that the European Parliament and the Council may "adopt incentive measures designed to encourage cooperation between Member States and to support their action in the field of employment through initiatives aimed at developing exchanges of information and best practices, providing comparative analysis and advice as well as promoting innovative approaches and evaluating experiences".
Article 153 stipulates that the European Union supports and complements the activities of the Member States to combat poverty and social exclusion and to reform their social protection systems on the basis of policy exchanges, mutual learning and promotion of innovative approaches.

In addition, the Progress section would provide for increased funding for social experimentation in particular through awareness raising and mutual learning activities, capacity building and grants for projects designed by public authorities to test reforms of their social protection and active labour market policies and social services delivery systems[90]. Gender and anti-discrimination mainstreaming would be promoted in all sections[91]. This thematic scope would be in line with both the recommendations of PROGRESS stakeholder working group and the view of the respondents to the public consultation[92].

Regarding possible improvements at management level, they would be the same as under Option 1. In addition, the new programme will focus on large projects with clear EU added value in order to reach critical mass and reduce administrative burden. Harmonised and simplified rules and procedures will be put in place to facilitate access to the programme, in particular for small organisations.

7.2.2. EURES

Option 1: Under this option, EURES continues and no action is taken to address in particular the issue relating to EURES administrative structure which is complex and needs revision and streamlining. Notably, there is a need to harmonise and update the implementation provisions regarding the clearance of vacancies and application for employment, the definition of the operational objectives of EURES services, the composition and governance of the EURES network, the quality standards and exchange of information/best practices. These reforms will ensure consistency between the different parts of EURES in line with the new MFF instruments.

Option 2 is the preferred option as it would allow for advancing the reform of EURES. Under this option, EU-level and horizontal actions of EURES would be carried out as part of a new programme for direct management, bringing together Progress, EURES network and the Microfinance Facility. In addition, the new Regulation for the European Social Fund would incorporate EURES national (vertical) and cross-border activities as a specific shared management component so as to ensure that the Member States develop EURES at national level according to the priorities of the European Employment Strategy.

Both new legislative acts would thus provide for legal bases for EURES expenditures, including the financial incentives provided for under 'Your First EURES Job' while coupling the financing of EURES with the definition of its modern activities as spelled out in a new Commission Decision thereby making full use of Article 44 of the Council Regulation 1612/68: "The Commission shall adopt measures pursuant to this Regulation for its implementation. To this end, it shall act in close cooperation with the central public authorities of the Member States".

In this context, the new focus of EURES would be to:

- Develop EU-level EURES services related to both outgoing and incoming placements (when there is an economic need to fill job vacancies and where EURES has the capacity of handling such market activities);

[90] In addition to the direct management funding, a share of the budget managed by the Member States in the context of the ESF mainstream should be ring-fenced for financing social innovation and experimentation projects.
[91] This is in line with the results of consultation calling for better mainstreaming gender equality and anti-discrimination issues in the new instrument. See section 1.4.3.
[92] See Section 1.4.6.

- Expand EURES scope to support targeted mobility schemes[93] at EU level to a) fill bottleneck and niches vacancies (where market failure have been identified), b) to help specific groups of workers (such as young people) and countries which are or will become recipients of mobile workers;

- Get Public Employment Services (PES)[94] and Private Employment services to systematically cooperate when delivering EURES actions;

- Specify in which form private Employment Services will be part of EURES 2020, hence translating the rulings of the European Court of Justice which has called for the opening of all placement services to competition. However, PES should remain the main actors of EURES so as to ensure that Member States fulfil all their legal EURES transparency obligations as stipulated under Council Regulation 1612/68.

This option would allow EURES to become a genuine result oriented matching tool going well beyond its original role as a transparency device.

Under option 3 EURES-related national and cross-border activities would be carried out only by the Member States; no action would be undertaken at EU level. This option would lead to savings in EU budget but at the same time it would mean that Member States would act individually. As a result, some Member States would invest more to attract talents in order to fill in their bottleneck vacancies. Lack of coordination between employment services would cause unnecessary costs and could lead to mobility being perceived mainly as a matter of competition for talents/skills, potentially leading to frictions between the Member States or cuts in skill investments.

The potential cost of discontinuing such transparency tools as the EURES portal, on which 1 000 000 job vacancies and more than 500 000 CVs are currently posted, would be higher than the cost of maintaining it, particularly given its results to date (see Section 3.2.2.). Limited information and uninformed choices by both companies and jobseekers, and higher job-search/recruitment costs could have negative economic consequences.

Mobility in the EU would be more difficult, transparency of labour markets would not be anymore ensured. It should be noted that research has shown that greater geographical and labour mobility is associated with higher GDP, higher employment and lower long-term unemployment.

7.2.3. Microfinance and Social Entrepreneurship

Content options

Option 1: Continuation of the basis of the current setup

Based upon the experience so far with Progress Microfinance, the range of funded instruments offered under this instrument is attractive for the European microcredit sector. Under Progress Microfinance, it has allowed to reach out to a great variety of intermediaries, non-bank microcredit providers, banks, and small banks, which, in turn, makes an outreach to different groups of final beneficiaries likely: senior loans are typically interesting for small institutions that need loan capital for on-lending as microcredit.

[93] See proposal "Your first EURES job" from the Youth on the Move 2020 flagship initiative.
[94] PES market share in job vacancies varies between 10 and 80% throughout EU-MS, with an estimated average of less than 40%, Danish Technological Institute, PES skills study, 2010.

Subordinated loans can be especially helpful for small banks with an intention to further scale down into the microfinance segment, in particular in Central European countries. While senior financing does not fit their needs, because they rely on intra-group lending from the parent company, subordinated loans can address the scarcity of capital resources which often limits their growth aspirations. A small allocation to direct equity allows for funding of some greenfield initiatives. Indirect equity, i.e. equity which is channelled through a central body to a network of local or regional intermediaries, increases the outreach because it allows a group of small intermediaries to pool their resources together and reach the necessary critical mass. This intermediary/sub-intermediary model has also proved attractive for the other products.

The guarantees had been included in Progress Microfinance to serve the needs of commercial banks, savings banks, cooperative banks and larger non-bank microfinance institutions. Considering the transactions under Progress Microfinance and the forecast for transactions, the guarantees seem to be truly complementary to the funded instruments in the sense that they increase the geographical coverage: in the countries in which guarantee operations are planned or have already been concluded (mostly Western Europe), intermediaries have not shown interest in funded instruments so far. The guarantees therefore contribute to achieving a regional balance between Eastern and Western Europe.

Option 1 would not improve the situation with regard to developing the microfinance market, nor provide a real support to social enterprises.

For microfinance support, this could jeopardise the aim of making more microcredit available, especially to people from disadvantaged groups because the absorption capacity of the market may not be sufficient: microcredit providers would continue facing difficulties with making investments to improve outreach, management, performance and infrastructure. The situation would be worse than in the current programming period in which at least a small amount of funds made available in the framework of the European Parliament Preparatory Action have been used to support capacity building of a number of microcredit providers.

Option 1 would also not adequately address the lack of access to finance that social enterprises face for development and consolidation: even though social enterprises could remain part of the final beneficiaries targeted by Progress Microfinance, it has become obvious that microloans alone will not be sufficient to influence significantly the start-up of social enterprises and the development of the sector.

As far as the geographical scope is concerned, maintaining the status quo, i.e. covering only the 27 Member States would leave a gap in support to microcredit in the EFTA/EEA, the candidate and accession countries. Under the current programming period, the microfinance support (in the form of guarantees) of the Commission's Competitiveness and Innovation Programme (CIP) is open to all these countries. With a view to simplification and avoidance of overlaps between EU initiatives, the successor programme of CIP will focus on SME finance, leaving the microfinance segment to the successor of Progress Microfinance. Without an extension of the scope, these countries could in the future not benefit from EU support to microfinance anymore.

Option 2: Widened scope to include capacity building and with extended geographical coverage

While option 2 enjoys the same benefits as option 1, but also addresses some of its weaknesses:

Firstly, it would tackle the problems of complementarity with the CIP programme: an extension of the geographical scope would also allow businesses, especially micro-enterprises, in the EFTA/EEA countries, the accession and candidate countries, to benefit from EU support to microfinance[95].

In terms of content, funding for capacity building would be added. The latter would be provided in the form of equity and/or loans, as had been successfully done under the preparatory action of the European Parliament under JASMINE[96]. This would enable building stronger microcredit providers in Europe that can serve more clients and cover the growing unmet demand by micro-enterprises, unemployed and excluded persons in Europe.

In addition to the equity investments and loans, grants could be provided to microcredit providers. This could be done in the form a certain amount per loan given out and made conditional on the provision of training and mentoring and/or serving particularly vulnerable groups. This would provide an incentive to make microcredit available also to risky groups and address the problem of costly support services, which cannot become sustainable, as even fervent advocators of self-sustainability of microcredit providers admit[97].

Option 3: Widened scope for microfinance support to include capacity building with extended geographical coverage, complemented by dedicated support for developing and expanding social enterprises

This option has the same scope as option 2. Funding for capacity building including through grants would be provided (like option 2b). The advantages would therefore be the same.

The main advantage of this option in comparison to option 2 would be the introduction of specific and targeted support for social enterprises going beyond the current, insufficient set-up, where the funding is limited to the start-up phase and amounts for microcredit (loans of up to € 25000). The dedicated support would address the specific needs of the social enterprises and make more substantial funding available allowing social enterprises to develop and grow.

The Programme will thus also address market imperfections and externalities in the social investment markets. Currently, these are highly fragmented, diversified and underdeveloped due to specific supply and demand side barriers. The dedicated support at EU level will serve as catalyst for public private partnerships in member states and regions in establishing suitable social investment funds, and embed these in a broader strategy for supporting social enterprise through measures financed from the Structural Funds. Overcoming the key barrier of access to finance will strengthen the role of social enterprises as drivers of social innovation processes, and it enhance their innovative capability as these are experimenting with alternative ways of responding to societal needs and meeting social values, by producing innovative of products and services, introducing innovative production processes and means of service delivery, changing value chains, introducing new standards and norms, and developing new interfaces and linkages between sectors.

[95] Microfinance in the Western Balkans is covered by the European Fund for Southeast Europe and the future Western Balkans SME Platform.

[96] In addition to guarantees received from the Progress Microfinance guarantee window, two of the intermediaries, *microStart* and *Qredits*, could also benefit from a EUR 750 000 equity investment and EUR 750 000 loan respectively for capacity building under EPPA, the funding part of JASMINE.

[97] European Microfinance Network, "*Sustainability of Microfinance in Europe*", in: Microfinance in Europe, n°5 June 2009.

Delivery options

Option A: Continuation on the basis of the current setup

This option would have the advantage of being easy and relatively quick to establish because the new instruments could be negotiated with the EIF on the basis of the existing mandates. The know-how built up by the EIF under the current instrument could be used, including work on the pipeline (which would also speed up delivery). The centralised management by the EIF would also respond to the requests of the sector and the European Parliament to create a one-stop-shop for microfinance support in the EU. However, for implementing the social entrepreneurship support, a new set-up would have to be created.

Option B: Direct management by the Commission within an integrated programme of DG EMPL

Under this option, the new instrument would be directly managed by the Commission instead of being managed jointly with the EIF. However, the Commission would not have the expertise nor be given the resources to manage a fund on a day-to-day basis. This option can therefore not be considered realistic.

Option C: Joint management and establishment of a dedicated investment vehicle within an integrated programme of DG EMPL

This option foresees that the new instrument is jointly managed with the European Investment Fund as under option A. Instead of being a stand alone instrument, as under option A, it would be part of the integrated programme for employment and social inclusion. Besides the advantages already described under option A, the inclusion of this specific initiative in the integrated programme will facilitate complementarity between the activities the Commission carries out under the PROGRESS section (such raising awareness, exchange of good practice, social experimentation, establishing a sound knowledge and evidence base and developing robust tools, notably for experimentation and measuring impact) and the support provided by the EIF on behalf of the Commission. Opening the dedicated investment vehicle to contributions from Member States and regions with ESF resources (in the form of ring-fenced compartments in the investment vehicle) would also make the benefits of a centralised EU level instrument, established with the know-how of the EIF and the experience gained with Progress Microfinance, available for the Member States. The exact delivery mode of the funding for capacity building through grants will need further exploration.

The financial instruments facilitating access to finance for social enterprises will be implemented through structures and procedures similar to the ones for the Microfinance facility (i.e. guarantees, counter-guarantees and risk-sharing instruments; equity instruments; debt instruments; and grants), taking into account the diversity, fragmentation and different degrees of development of the social investment markets. It will therefore be highly experimental, and will require an accompanying learning evaluation to have sound data for adjusting implementation parameters to the needs and requirements of the financial intermediaries using the EU level financial instruments.

7.3. Consideration of "no action"

Without EU funding available through the Progress programme, which proved working as a an effective tool supporting the development of EU employment and social policy, EU ability to promote and facilitate reforms, as well as to empower stakeholders who have a crucial role to play in the delivery of reform would be severely reduced.

In **EURES** case, no support to intra-EU-mobility would be in contradiction with Article 46 of the TFEU which imposes an obligation to act ("shall… issue directives or make regulations to bring about freedom of movement") and would contradict the economic rationale that increased mobility flows can add an extra to GDP and that geographic mobility can serve as an adjustment mechanism between labour market out of balance.

For **the microfinance and social entrepreneurship**, the "no action" option would be equal to the baseline scenario.

7.4. The favoured delivery option

Option 2 is the preferred option for **the Progress programme** as it would bring about the following benefits:

- **Efficiency gains**, compared to ***option 1*** (current situation with some improvements), in terms of a considerable rationalisation of EMPL direct management instruments, streamlining of their management rules and procedures and ensuring flexibility in allocating resources to changing policy priorities.
- **Critical mass**: the integrated programme would be a medium-sized EU instrument able to reach the critical mass needed to achieve its policy objectives.
- **Coherence and effectiveness**: bringing together all three direct management instruments which pursue common objectives in the employment, social policy and inclusion fields, would enable the Commission to increase policy coherence and impact of its actions.

For **EURES**, the favoured option is option 2.

The favoured option for **microfinance and entrepreneurship support** is option 3C combining the benefits of the experience with the current Progress Microfinance instrument with the enlarged scope and dedicated, customised, support for social enterprises.

As a result, the Commission proposes to establish an integrated programme bringing together these three financial instruments. It will be made up of three sections:

1. The Progress section, which shall support the development, implementation and monitoring of EU employment and social policy and legislation on working conditions and promote evidence-based policy-making and innovation, in partnership with the social partners, civil society organisations and other interested parties;
2. The EURES section, which shall support activities carried out by the EURES network, i.e. the specialist services designated by the Member States, together with other interested parties, to develop information exchanges and dissemination and other forms of cooperation to promote workers' geographical and occupational mobility;
3. The Microfinance and Social Entrepreneurship section, which shall facilitate access to finance for entrepreneurs, especially those furthest from the labour market, and social enterprises.

7.5. Risk assessment of the favoured delivery option

Risks relating to the financial management

Under the Progress, centralised direct management will involve (a) the attribution of numerous contracts and grants for specific activities (relevant also for the EURES section), and (b) the payment of numerous operating grants to non-governmental organisations; (c) cooperation with international organisations (relevant also for the Microfinance and Social Entrepreneurship section implemented in accordance with Joint management mode). The main risk will be relating to the capacity of (especially) smaller organisations to effectively control expenditure as well as to ensure the transparency of operations carried out.

DG EMPL concludes grant agreements directly with beneficiaries who co-finance the project costs. The period of execution of the subsidised projects is usually between one and two years. Budgets allocated at the award stage are indicative only, and the amounts paid are always provisional and subject to recovery if they are not in line with actual costs. Finalised granted projects will be subject to ex post controls. The strategy of ex-post audit will be: (a) to combine the risk assessment and ad random selection in order to avoid a too rigid selection process, and (b) to pay attention to operational aspects whenever possible during the on-the-spot audit. As far as the international organisations are concerned, they will be obliged to, in their accounting, audit, internal control and procurement procedures, apply standards which offer guarantees equivalent to internationally accepted standards. In addition, individual agreements concluded with the international organisations for the award of financing shall contain detailed provisions for the implementation of the tasks entrusted to such international organisations. They will also ensure adequate annual ex post publication of beneficiaries of funds deriving from the budget.

Risks relating to the operational management

As every financial instrument involving calls for proposals, a European programme promoting and financing social experiments relies for a large part on the initiatives taken by the potential project leaders. The main risks that could thus be identified are the following:

- Insufficient demand for a programme with this scope, reflected in no or a very low number of applications. This could be because the concept of "social experimentation" for some constituencies carries negative connotations, thereby stifling interest. Or, when the intended scope is well understood, it can be felt among potential promoters to be too costly, or simply not a relevant approach;
- On the content: the projects submitted are not very innovative, lack rationale in their focus, or are not well-suited for the methodology and/or for an envisaged up-scaling;
- The methodology applied is not what is generally defined as a social experimentation (evaluation is not robust enough, etc.).

To avoid the first and the third risks, it is indispensable to promote and develop social experimentation at EU level through awareness raising and capacity building actions. Member States, civil society organisations and other actors may also need to be reassured on the concept, and on the objective behind, i.e. that it is not a way to dismantle social services but a useful tool to build more effective, better targeted policies in partnership with all relevant actors.

On the second risk, exchanges in established processes for policy coordination and mutual learning will help ensure that the measure tested is relevant in terms of policy options.

The main element of the risk assessment is to examine if the funding provided for under the **EURES** section of the new programme can deliver the expected results in terms of placements and information provision and how further synergies with other PROGRESS sections can be developed in order facilitate the implementation of the employment guidelines.

On the basis of historic records and EURES results so far (see section 4.2.), the risk should be assessed as medium-to-low. It can be further minimised by taking the corrective action with regard to the suggested revision and update of the COM decision (2003/8/EC) and further mainstreaming of geographical mobility in the European Social fund.

One of the main risks for **microfinance and entrepreneurship support** through the programme would be a low quality of the interface with the parallel and connected development of funding and capacity building of the microcredit sector. In case the capacity building is not effective enough, there will be insufficient funding absorption capacity of the microcredit market. This could jeopardise reaching the targets of the instrument in terms of number of loans and total loan volume.

Regarding the financial instrument to support the development of social enterprise, a potential risks would be the slow establishment of social investment funds that could absorb the EU level funding opportunities.

8. EU ADDED VALUE OF THE INTERVENTION

The new programme will enable the Commission to increase policy coherence and impact of its instruments which pursue common objectives in the employment, inclusion, and social affairs fields, i.e. Progress, EURES as well as the Microfinance and Social Entrepreneurship contribute to the implementation of the Europe 2020 Strategy, its relevant headline targets (for employment, fight against poverty and education) and the Integrated Guidelines 7, 8 and 10, while supporting the implementation of the flagship initiatives, with special regard to the European Platform against Poverty and Social Exclusion, An agenda for New Skills and Jobs and Youth on the Move.

In particular, the new instrument would bring about EU added value in the following ways:

The EU is uniquely placed to provide a European platform for policy exchange and mutual learning processes between the Member States (also including the EEA and candidate countries) in the employment and social area. Knowledge of the policies carried out in other countries broadens the range of options available to policy makers, triggers new policy developments and encourages national reforms[98]. Finally, it brings benefits in terms of improving the governance of the EU employment and social policy.

The EU action adds value to national interventions by providing a European reference gathering and comparing evidence, developing statistical tools and methods and common indicators to allow for a complete picture of the situation prevailing in the employment and social fields at European level. This is a prerequisite for a sound analysis of the key employment and social challenges facing each Member State. The monitoring of progress towards the Europe 2020 targets, including relevant country-specific recommendations in the framework of the European Semester should be based on that analysis.

The need for better application of EU law has been recognised as a key priority under the Smart Regulation agenda. The EU level is the most appropriate for modernising a legal framework, aiming to create a level playing-field and to guarantee a common level of EU legal protection for all in the fields of health and safety at work and labour law. The EU is also uniquely placed to finance measures aimed at improving compliance with EU rules as well as providing systematic review of the EU legislation application across the Member States.

Developing the capacity of key European level civil-society networks to support and further develop the Union social policy goals can best be achieved at EU level.

An improved EURES would facilitate labour market mobility. Member States would benefit as bottleneck or hard-to-fill vacancies could be filled by intra-EU-mobility, leading to increased economic activity and thus contributing to economic growth. Furthermore more European labour market mobility could also foster a European citizenship which goes beyond national interests.

The Member States would benefit from greater intra-EU labour market mobility, which could help fill bottleneck or hard-to-fill vacancies and thus bolster economic activity and contribute to economic growth.

[98] National and regional authorities consider monitoring, research and exchange of information (through the OMC and mutual learning) as areas where EU added value is the highest. See PPMI, *PROGRESS stakeholder needs analysis*, 2011.

Greater European labour market mobility is also essential for the completion of an area without internal frontiers and for the strengthening of economic and social cohesion and active European citizenship. The EU institutions, and in particular the Commission, which has the administrative resources, expertise and capability to coordinate a transnational network such as EURES, should therefore support and facilitate action to bolster geographical labour mobility. The Commission can also add value to the EURES network by developing policies to overcome remaining obstacles to free movement, facilitating exchanges of good practice and ensure mutual learning between EURES network members.

An increase in the availability of microcredit is best achieved at the European level: firstly, the European Commission in cooperation with the European Investment Fund has already gathered experience with the current microfinance facility, the JASMINE pilot project and the EPPA initiative requested by the European Parliament. Microfinance institutions in all Member States can now benefit from this expertise without their national, regional or local authorities having to use resources to put in place similar systems.

The EU level instrument facilitating access to finance for social enterprise will have a multiplier effect as it will pave the way for enhanced public and private action at national and regional levels in the years to come. It is expected that the EU level instrument will contribute to increasing the scale of social business operations through removing barriers to finance, which would both stimulate the creation of more social enterprises, and allow existing ones to exploit opportunities for growth; to increase the geographical scope of social investment funds and social finance intermediaries currently operating only in a few member states and at low levels; to stimulate the development and use of innovative financial instruments, facilitate mutual learning across national borders, and to contribute to building sustainable and professional capacities for social impact investments.

In addition, the financial resources pooled together at the European level are more likely to attract additional funding from third investors like the European Investment Bank who, in the case of Progress Microfinance, matched the EU contribution of 100 million. The same is true for an EU level equity fund for investments in social enterprises: it can be expected that it will attract more resources from other investors.

9. COST-EFFECTIVENESS OF THE PROPOSED OPTION

The new programme bringing together Progress, EURES and the European microfinance activities will allow for continuation of a number of activities proved being efficient and effective in meeting the objectives of these three financial instruments. In addition, it will provide for the development of new actions, such as social experimentation under the Progress section, recruitment/placement under the EURES targeted mobility scheme and support to social enterprises under the microfinance and social entrepreneurship section. The cost-effectiveness analysis will therefore focus on these new activities.

Social experimentation refers to small scale projects designed to test policy innovations (or reforms) before adopting them more widely. The impact of the innovation on the sample population is assessed against the situation of a 'control group' with similar socio-economic characteristics that remains under the dominant policy regimes[99]. The problem is establishing a credible basis of comparison between the two groups, which can be done most efficiently by using randomization methods which characterize social experiments.

Social experimentations have been conducted in the United States since the late 1960's to evaluate proposed changes in programme or policy and, more recently, in Europe, Latin America, Asia and Africa. They have become an accepted part of policy evaluation in particular in the United States. The essential reason is that policymakers and many social scientists find experimental results easier to understand – and ultimately more convincing – than results from most other kinds of policy evaluation. Social experiments have contributed to important advances in basic knowledge, improved understanding of program effectiveness, and, in rarer cases, significant policy reform.

There are three perspectives on the costs of a social experiment:

1. The first compares the situation where a policy is tested before being implemented with a situation where no ex-ante evaluation occurs at all. An ex-post evaluation will still be possible, but if results are negative, it will be impossible to compensate the costs unduly generated by the programme for years, so that experimentation can be considered most effective in this regard[100].

A social experiment benefits society by providing better information on which to base public policy. Of course, one cannot know before the fact whether any particular experiment will lead to a change in policy – this depends on the experimental findings and whether policy makers act on the findings. In deciding whether to conduct the experiment, one must act on the expected value of the experiment, which can be expressed as:

Expected value = value of change in policy
x probability of change in policy
- cost of experiment

[99] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on *the European Platform against Poverty and Social Exclusion: A European Framework for social and territorial cohesion*, COM(2010) 758 final.

[100] See the National Job Training Partnership Act Study: this evaluation found that the out-of-school youth component of JTPA had essentially no impact on the earnings of youths who participated in it. As a direct result of this finding, funding for the out-of-school youth component of JTPA was reduced by more than $500 million per year. In just a few years, this saving of resources that would otherwise have been wasted on ineffective training services easily surpassed the cost of all the social experiments that have been conducted in the in the 30 years before 1997

However, even experiments that do not result in the adoption of any specific policy measure are used extensively most of the time in the analysis of a number of proposed programmes and policies in the same area[101].

More generally, if an experiment funded by the new Programme addresses a relatively fundamental European policy issue, its results will be still relevant to the various policy processes at EU and Member State levels long after the experiment has been implemented. The existence of 27 policy makers, additionally to the European decision maker, multiplies the possible impact of a social experiment in the EU.

2. The second compares costs of a social experiment with benefits: will the experiment be likely to generate information sufficiently valuable to the political or institutional process to justify the costs? This question has to be answered positively by decision makers before the experiment can take place.

3. A somehow different perspective looks at the experiment's opportunity cost, weighing the net benefits of the experiment against the net benefits of alternative methods of ex-ante evaluation.

Social experiments generate highly robust information (2) and therefore more benefits to society than other methods (3).

The advantages of controlled experimentation over other methods of analysis are easy to describe. Because experimental subjects are randomly assigned to alternative treatments, the effects of the treatments on behaviour can be measured with high reliability. The assignment procedure assures us of the direction of causality between treatment and outcome: differences in average outcomes among the several treatment groups are caused by differences in treatment. Random assignment also removes any systematic correlation between treatment status and both observed and unobserved participant characteristics. Estimated treatment effects are therefore free from the selection bias that potentially taints all estimates based on non-experimental sources of information.

Another advantage of experiments is that they permit analysts to measure and policymakers to observe the effects of new kinds of treatment that have not previously been observed.

Finally, the simplicity of experiments offers notable advantages in making results convincing to other social scientists and understandable to policymakers.

A carefully conducted experiment permits analysts to describe findings in extremely straightforward language: "Relative to employers in the control group, employers eligible for government-provided wage subsidies hired X percent more disadvantaged adults and Y percent fewer workers who were not economically disadvantaged." This kind of simplicity in describing results is seldom possible in non-experimental research, where analytical findings are necessarily subject to a variety of complicated qualifications.

In recent years the last advantage of experiments has turned out to be particularly important. Because policymakers can easily grasp the findings and significance of a simple experiment, they concentrate on the implications of the results for changing public policy. They do not become entangled in a protracted and often inconclusive scientific debate about whether the findings of a particular study are statistically valid. Politicians are more likely to act on results they find convincing.

[101] See for instance the US income maintenance experiments and the Health Insurance Experiment.

In the absence of information from social experiments, economists and other social scientists rely on four main alternatives to experiments to learn about crucial behavioural parameters or the effectiveness of particular programs:

- One source of information is *data on the relationship between economy-wide aggregates*, such as interest rates and consumption, either over time or across regions. However, aggregate statistics are inappropriate for analyzing many kinds of microeconomic behaviour.

- A second source is management *data collected in the administration of existing programs*, but data from an existing program seldom provide any information about what the participants' experiences would have been if they had been enrolled in a different program or in no program at all.

- A third source is *new survey data*, which are usually more costly to obtain than programmatic data but which provide information about the experiences of nonparticipants as well as participants in a program, and thus offer some evidence about likely behaviour in the absence of treatment.

- A fourth source is *data generated by special demonstration programs*. Like experiments, demonstrations involve the special provision of a treatment, collection of information about outcomes, and analysis of treatment effects. Unlike experiments, demonstrations do not involve random assignment.

Against the potential value of an experiment must be weight its expected costs. The costs of social experimentation fall into three categories:

- Implementing the innovative treatment;

- Collecting data on the different groups;

- Analyzing the data.

It is worth noting that most of these costs are typically incurred regardless of whether a programme is evaluated through random assignment or using non experimental methods. The major difference in costs is that the random assignment process must be carefully implemented and monitored, but this is usually not very costly and it is what makes most robust results possible.

The extent to which the costs of the experimental programme represent a net cost to society depends on whether it generates social benefits, which is difficult to assess before the programme has been conducted.

The costs of experiments can vary a lot, depending on the sample sizes required, the method, frequency and duration of the data collection. In the US, a typical social experiment costs $2 or 3 million[102], although it is possible to conduct one for substantially less and some for a lot more[103]. Fortunately, once a design has been specified, it is possible to predict the costs of an experiment fairly accurately.

[102] Social Experiments: evaluating public programs with experimental methods, Larry L. Orr, 1999, SAGE Publications Inc.
[103] See the Seattle-Denver Income Maintenance Experiment and the Health Insurance Experiment.

With the new Programme (direct management) a budget of some € 20 million per year is planned for 'Your First EURES Job" and the horizontal activities of **EURES** (including the management of the portal) while all national EURES activities would be financed under the ESF through the shared management mode.

On the basis of the results extrapolated from the survey carried out as part of the external evaluation of EURES between 2006 and 2008, one can envisage that suggests that around 100 000 jobseekers per year get a job or a job offer via the EURES Job Mobility Portal. Although the evidence cannot be considered as robust, the activities of the EURES members might lead to approximately 50000 placements per year.

It can be argued that the transparency function and the matching possibilities provided through the EURES Job Mobility Portal brings about better information and better informed choices for both employers and jobseekers. Taking into accounts these positive effects as well as the extrapolated results of EURES Job Mobility Portal and putting them into relation with the investments done into the Portal, the cost-effectiveness ratio can be considered as favourable. This is also confirmed by looking at the costs per placement through tendering done by Member States and Public Employment Service in a recently published study under the Commission's new mutual learning programme PES-to-PËS dialogue[104]

The anticipated costs per placement under the targeted mobility scheme – for young people filling bottleneck vacancies in other Member States – corresponds to the price level of similar tendering processes currently carried out in the EU. If a budget of € 10 000 000 is used for this purposes the expected outcome amounts to approximately 5500 placements/recruitments of young people in bottleneck occupations.

For **microfinance and social enterprise support** the preferred option is particularly cost-effective, given the expected leverage of between 3 and 5 times of the EU contribution for the support to microfinance and social enterprises. Moreover, the joint management with the EIF allows for a polling of expertise and resources, limiting the Commission's investment in terms of day-to-day management.

[104] Sub-contracting in Public Employment Services, Review of research findings and literature on recent trends and business models, by Dan Finn, Centre for Economic and Social Inclusion, May 2011.

10. MONITORING AND EVALUATION

Following the positive experience with the results-based management approach of the current Progress programme and in line with the recommendations of its mid-term evaluation (see Section 3.2.1.), the EU programme for Social Change and Innovation will remain committed to a strong focus on results and achievements rather than resources and activities. To this end, the programme will be monitored on an annual basis in order to both assess headway towards the achievement of its general and specific objectives against clear indicators (see Section 6.2.) and allow for any necessary adjustments of the policy and funding priorities. The monitoring will also allow for assessing the way in which gender equality and anti-discrimination issues have been addressed across the programme's activities. Further to the recommendations of both the mid-term evaluation and Progress key stakeholder working group, reporting requirements, in particular those placed upon grant beneficiaries will be reduced. This could be done by reducing the number of quantitative indicators at the output level and measuring the progress achieved towards longer-term goals every three years instead of annually.

The Programme will also be subject to mid-term term and ex-post evaluation. A mid-term evaluation will aim at measuring progress made in meeting the Programme objectives, determining whether its resources have been used efficiently and assessing its European added value. Mid-term evaluation report should be delivered by the end of 2017 to feed into the preparation of a successor instrument to the Programme. The final evaluation shall, in addition, examine the impact of the Programme. Ex post-evaluation report hall be delivered by the end of 2022 at the latest.

The opportunity to bring together three instruments will enable the Commission to streamline evaluation arrangements and reduce their costs.

As recommended in the external **EURES** evaluation a new monitoring system for EURES and a regular customer satisfaction survey for both employers and jobseekers will be developed and installed. The currently on-going study 'Evaluation of Public Employment Services performance measurement systems and corresponding recommendations on geographical labour mobility indicators' will suggest synergies with the performance measurement system of the Public Employment Services and suitable indicators for EURES and geographic mobility.

Given the longer lifetime of the **microfinance and social enterprise support section** (investments will take place until ten years after the start of the instrument) a specific final evaluation will take place for this section at the latest one year after the end of the mandate provided to the European Investment Fund.

ANNEX 1: GLOSSARY AND ABBREVIATIONS

EES - European Employment Strategy: The European employment strategy provides a framework (the "Open Method of Coordination") for EU countries to share information, discuss and coordinate their employment policies.

Effectiveness: The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

Efficiency: The principle of efficiency is concerned with the best relationship between resources employed and results achieved.

Geographic mobility or "intra-EU–mobility" is used to refer to the movement of EU residents from one country to another within the European Union.

Job changers: According to the flexicurity and labour market transition terminology, the term job changers is used to identify a person who is currently employed but nonetheless looking for another job.

Labour mobility is about the willingness and ability of workers to change employment or areas. Vertical mobility changes the workers grading or status. Horizontal mobility does not. Low labour mobility is a cause of structural unemployment.

Microcredit: Micro-credit in the EU means loans under EUR€ 25 000. It is tailored for micro-enterprises and unemployed or inactive people who want to go into self-employment but do not have access to traditional banking services.

Microenterprise is an enterprise employing less than 10 people, including self-employment, and whose annual turnover and/or annual balance sheet total does not exceed EUR€ 2 million. 91% if all European enterprises are microenterprises.

OMC - Open Method of Coordination: The OMC provides a framework for cooperation between the Member States, whose national policies can thus be directed towards certain common objectives. Under this intergovernmental method, the Member States are evaluated by one another (peer pressure), with the Commission's role being limited to surveillance. The European Parliament and the Court of Justice play virtually no part in the OMC process. The open method of coordination takes place in areas which fall within the competence of the Member States, such as employment, social protection, social inclusion, education, youth and training.

It is based principally on: (1) jointly identifying and defining objectives to be achieved (adopted by the Council); (2) jointly established measuring instruments (statistics, indicators, guidelines); and (3) benchmarking, i.e. comparison of the Member States' performance and exchange of best practices (monitored by the Commission).

Performance monitoring: A continuous process of collecting and analyzing data to compare how well a project, program, or policy is being implemented against expected results.

Personalised services: services provided by public employment services or other bodies to individuals with the aim to facilitate the integration of unemployed and other job seekers in the labour market.

Private Employment Services deliver employment services to jobseekers, job changers and employers, on commercial and non-commercial basis.

Professional mobility includes job-to-job mobility, which requires a change of employer, and occupational mobility, which is indicated by a change in job role and functions but may occur with the same employer.

Public Employment Services as public services have a specific role in the labour market: they deliver services free of charge to jobseekers (both unemployed and job changers) as well as to employers, which aim to bring jobseekers and vacancies together, and also contribute to improved transparency in the labour market.

Results-based management: A management strategy focusing on performance and achievement of outputs, outcomes and impacts.

Social enterprises produce goods and services (often of general interest), are in many cases highly entrepreneurial and innovative, have primarily social as opposed to profit-making goals, produce social added-value that benefits the general public, use surpluses mainly to achieve their social goals, and reflect their mission in the way they operate (often with a strong element of participation and co-decision involving those affected by the business activity). Many of these enterprises are pioneering in developing scalable or replicable business models that strive to make a significant impact on society, economy and the environment.

Social experimentation: the concept refers to small scale projects designed to test policy innovations (or reforms) before adopting them more widely. The impact of the innovation on the sample population is assessed against the situation of a ‘control group’ with similar socio-economic characteristics that remains under the dominant policy regimes. Social experiments can be applied to a large spectrum of social interventions, such as welfare-to-work programmes, provision of health services, technologies to facilitate independent living, addressing homelessness, education, early child development, access public utilities, active retirement, etc.

Social experimentation requires a thorough preparation and selection. The programmes should be of sufficient size to make them politically relevant and should focus on fields where evidence suggests that a policy change is needed. To be conclusive, the program must be subject to well-defined evaluation standards, to ensure that its results are transferable to another context.

SPC: The Social Protection Committee is a Treaty-based. The SPC serves as a vehicle for cooperative exchange between Member States and the European Commission in the framework of the Open Method of Co-ordination on social inclusion, health care and long-term care as well as pensions ("Social" OMC). In particular, the Committee plays a central role in preparing the discussion in the Council on the annual Joint Report on Social Protection and Social Inclusion.

The Committee also prepares reports, formulates opinions or undertakes other work within its fields of competence, at the request of either the Council or the Commission or on its own initiative.

Your first EURES job is a new preparatory action to foster youth job mobility across the EU-27 countries. It is aimed at helping young people and employers to fill open bottleneck vacancies. "Your first EURES job" is one of the actions pinpointed in the EU 2020 strategy (flagship initiative "Youth on the Move" and corresponding Communication).