

**REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF
AUDITORS SPECIAL REPORT:**

**“ESF SUPPORT TO COMBAT LONG-TERM UNEMPLOYMENT: MEASURES NEED TO
BE BETTER TARGETED, TAILORED AND MONITORED”**

EXECUTIVE SUMMARY

I. Supporting people, including disadvantaged people such as the long-term unemployed, is at the heart of the European Social Fund’s mission as stated in Article 3 of the 2014-2020 Regulation.

The Council Conclusion of 2016 on the integration of the long-term unemployed (LTU) into the labour market highlighted the key role of the European Social Fund (ESF) as the Union's main financial instrument for tackling long-term unemployment.

At the EU level, Member States have agreed on the European Pillar of Social Rights with its principles and rights essential for fair and well-functioning labour markets, which explicitly states that everyone has the right to timely and tailor-made assistance to improve their employment prospects (Principle 4), thereby re-affirming the key elements of the Recommendation.

Since 2014 and by end 2020, the ESF and the Youth Employment Initiative (YEI) have supported 5.9 million long-term unemployed, thus effectively delivering on its mission and providing new opportunities to those furthest away from the labour market.

IV. The European Social Fund (ESF) investment priority (hereafter ‘IP’) “Access to employment for jobseekers and inactive people, including the long-term unemployed, and people far from the labour market, also through local employment initiatives and support for labour mobility” (IP 8.i) is the only one referring explicitly to long-term unemployed. However, it is also important to underline IP (9.i) “Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability”. This investment priority played also an essential role in tackling the needs of this target group, in particular through holistic interventions involving both activation measures and the provision of enabling services such as housing, social care and health care. The Commission notes that at the time of the audit, 1.6 million long-term unemployed were supported under IP 8.i and a further 1.8 million under IP 9.i.

VI. The ESF is the main instrument of the EU budget for investments in people. However, Member States also support unemployed people, including long-term unemployed, through national measures and programmes.

When negotiating the 2014-2020 ESF programmes, the Commission strongly encouraged Member States to select the investment priorities that were most appropriate to address the challenges identified by the Country Specific Recommendations (CSRs). The Commission also suggested that Member States allocate a critical mass of ESF funding to these most relevant challenges.

VII. The individual approach is a fundamental element in the Council Recommendation to Member States of 15 February 2016 on integrating long term unemployed in the labour market. While the Commission promotes the use of an individualised approach to address the needs of long-term unemployed and it was a requirement for the YEI, it was not a requirement for ESF funding.

VIII. Particular attention has been paid during the 2014-2020 in attaining the right balance between reasonable administrative burden and monitoring requirements. To obtain meaningful and more complete data, some new elements have been introduced in the monitoring and evaluation framework. One of them is the introduction of common output and result indicators, which has contributed to reducing the administrative burden and making it easier to aggregate and to obtain more reliable data.

IX. First indent - The Commission accepts the recommendation.

When negotiating the programmes, the Commission will recall the need for a better targeting of long-term unemployed in Member States and regions where LTU is still high.

Second indent - The Commission accepts the recommendation.

The Commission will provide support to the Member States on how to ensure an individualised approach when implementing activation measures for long-term unemployed in the context of the ESF+ Committee.

Third indent - The Commission accepts the recommendation.

These evaluations will examine a number of target groups, including LTUs, for all thematic objectives, as all of them play a role in the success of operations aimed at LTUs or other disadvantaged groups. Good practices will be identified where possible and “responsive actions” will be shared between the Commission and Member States.

INTRODUCTION

03. The September 2021 quarterly review of Employment and Social Developments in Europe (ESDE) shows that the EU economy and labour market have started to recover from the COVID-19 pandemic with employment and unemployment at almost pre-crisis rates.

23. The ESF investment priority (hereafter ‘IP’) “Access to employment for jobseekers and inactive people, including the long-term unemployed, and people far from the labour market, also through local employment initiatives and support from labour mobility” is the only one referring explicitly to long-term unemployed. However, it is important to underline that the IP “Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability” played an essential role in tackling the needs of this target group.

The Commission notes that at the time of the audit, 1.6 million long-term unemployed were supported under IP 8.i and a further 1.8 million under IP 9.i (social inclusion).

25. Member States have supported LTU either through the IP 8.i or other priorities. In light of thematic concentration requirements, some Member States have also decided to tackle such challenges with national funding.

Investments necessary for the social inclusion of long-term unemployed can be for instance supported under thematic objective 9.

Under this thematic objective, Member State can, for example, support integrated pathways combining various forms of employability measures such as individualised support, counselling, guidance, access to general and vocational education and training, as well as access to services, notably health and social services, childcare, and internet services.

28. As shown in the second bi-annual implementation report, the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) has been successful in cushioning the severe socio-economic impact resulting from the COVID-19 pandemic. The national labour market measures supported by SURE are estimated to have reduced unemployment by almost 1.5 million people in the 19 beneficiary Member States in 2020. On 4 March 2021, the Commission presented a Recommendation on Effective Active Support to Employment following the COVID-19 crisis (EASE). It outlines a strategic approach to gradually transition between emergency measures taken to preserve jobs during the pandemic and new measures needed for a job-rich recovery. EASE invites Member States to use available EU funds, including the new resources made available through the NextGenerationEU programme – notably the Recovery and Resilience Facility and REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe).

29. With the Coronavirus Response Investment Initiatives (CRII and CRII+) followed by REACT-EU, the Commission has shown its reactivity in the face an unprecedented social, economic, and sanitary crisis and its ability to propose short, mid, and long-term solutions to tackle it.

For example, as regards Slovakia, the figure ‘over 1 billion EUR’ covers also COVID-19 CRII+ resources (resources reallocated from the European Regional Development Fund) in response to the pandemics in order to finance the short-term work schemes (STWS).

Pre-COVID-19, there was EUR 796 million Union financing under the thematic objective 8.

OBSERVATIONS

37. The Commission notes that at the time of the audit, 1.6 million long-term unemployed were supported under IP 8.i and a further 1.8 million under IP 9.i (social inclusion).

38. For the 2021-2027 period, the Commission aims at excluding temporary direct job creation by municipalities, unless accompanied with an upskilling component.

40. The Member States had the possibility to address challenges identified in the country position papers either with EU or national funding.

41. The Commission and the co-legislators did not deem it necessary to create a dedicated investment priority for the long-term unemployed in the 2014-2020 European structural and investment funds (ESIF) legislation, also to avoid unnecessary complexity.

Since 2014 and by end 2020, the ESF and the Youth Employment Initiative (YEI) have supported 5.9 million long-term unemployed, thus effectively delivering on its mission and providing new opportunities to those furthest away from the labour market.

45. Through the Council Recommendation on the reinforced Youth Guarantee of 2020, Member States committed to put specific emphasis on support to young people furthest away from the labour market reducing the risk of creaming effect.

46. The Commission is aware of the risk and continues to monitor whether it sees elements that indicate that it might occur.

47. By end 2020, the ESF and the YEI had supported 5.9 million LTU across all its investment priorities. Only 35% of these LTU were supported under the investment priority “access to employment”.

48. The ESF is the main instrument of the EU budget for investments in people. However, Member States also support unemployed people, including long-term unemployed, through national measures and programmes.

When negotiating the 2014-2020 ESF programmes, the Commission strongly encouraged Member States to select the investment priorities that were most appropriate to address the challenges identified by the Country Specific Recommendations (CSRs). The Commission also suggested that Member States allocate a critical mass of ESF funding to these most relevant challenges.

49. The Commission considers that the ESF is an effective tool for supporting people who are further away from the labour market. Almost 75% of the total number of participants supported by the ESF were either unemployed, long-term unemployed or inactive.

50. Programming is a complex exercise as it needs to address numerous challenges in the Member States.

In countries like Ireland EU funding accounts for less than 3% of public funding. Thus, the Commission has to make strategic funding choices, which, apart from regulatory conditions applicable in this case, are also based on the “best value for money” principle. In Ireland LTU

operation has been implemented with use of national funding. Therefore, LTU persons have not been negatively affected by the decision about the withdrawal of the project from the programme.

As for Italy, support has been and is significant. ESF and YEI initiatives, under different investment priorities, have involved so far (31.12.2020) more than 1.1 million LTU participants (1,108,038), which is an important number.

Moreover, Member States may decide to support some major challenges with national funding rather than with EU funding. ESF funding should be seen as part of a broader investment strategy.

57. The Commission and the Member States considered that a programme amendment was not necessary in the vast majority of cases to address the recommendation as the relevant investment priorities were already selected in almost all Member States.

65. The ESF's common indicator system had to balance the main EU level information needs with the cost of producing the information and therefore a breakdown by target group was not retained in the negotiations with Member States.

The 32 ESF common indicators (12 of which are also used for YEI) are reported for all investment priorities and all operations. This approach ensures universal and comparable information on the whole fund's achievement.

The approach of common result indicators focussing on the main type of outcomes (not broken down by target group) has been retained for the 2021-2027 ESF+ Regulation.

68. See Commission reply to paragraph 65.

73. The Commission intends to carry out further evaluations of the ESF support to LTU in the coming years, following the completion of the 2014-2020 period, in addition to the two studies referred to by the ECA.

CONCLUSIONS AND RECOMMENDATIONS

78. See the Commission reply to paragraphs 65 and 68.

Recommendation 1 – Target ESF “access to employment” support at the long-term unemployed where LTU is high

The Commission accepts the recommendation.

When negotiating the programmes, the Commission will recall the need for a better targeting of long-term unemployed in Member States and regions where LTU is still high.

Recommendation 2 – Link ESF “access to employment” support to an individualised approach for the long-term unemployed

The Commission accepts the recommendation.

The Commission will provide support to the Member States on how to ensure an individualised approach when implementing activation measures for long-term unemployed in the context of the ESF+ Committee.

Recommendation 3 – Evaluate the results achieved by ESF support for “access to employment” in terms of LTU

The Commission accepts the recommendation.

These evaluations will examine a number of target groups, including LTUs, for all thematic objectives, as all of them play a role in the success of operations aimed at LTUs or other

disadvantaged groups. Good practices will be identified where possible and “responsive actions” will be shared between the Commission and Member States.