

THE IMPACT OF REDUCING THE EUROPEAN SOCIAL FUND IN NORTHERN IRELAND

Background

The European Social Fund is the main instrument of Community social policy and provides financial assistance for vocational training, retraining and job creation schemes.

The European Commission tabled proposals on the future of the Structural and Cohesion Fund in July 2004. After two years of negotiations within the EU Council and European Parliament, they reached agreement that there would be less funding than before for richer Member States such as the UK, but a sharper focus on employment and skills issues.

This research briefing looks at the main impact of reducing the European Social Fund in Northern Ireland.

Introduction

The European Social Fund (ESF) is one of the European Structural Funds¹, which were set up to reduce differences in prosperity and living standards across Europe. The ESF helps Member States to combat unemployment, exclusion from the labour market and promote training to increase workforce skills. A new ESF programming period began in 2007. Seven-year ESF programmes are planned by Member States together with the European Commission and then implemented through a wide range of organisations in the public, private and Voluntary and Community sectors.

In Northern Ireland the Department of Finance of Personnel has overall responsibility for fulfilling the role of the Member State and will Chair the single Monitoring Committee to be established to ensure the quality of the implementation of the Northern Ireland ESF Programme. The Department for Employment and Learning is the designated Managing and Certifying Authority for the Programme. The designated Audit Authority is the Internal Audit Service of the Department of Enterprise Trade and Investment.

¹ European Structural Funds (ESF) is a system used by the European Union to provide financial support to EU member states and regions. The other Community Structural Funds are: *The European Regional Development Fund (ERDF)* which aims to reduce the gaps in development between the Community's regions; *European Agricultural Guidance and Guarantee Fund (EAGGF)* which assists in the adaptation of agricultural structures and in developing and diversifying the community's rural areas; *Financial Instruments for Fisheries Guidance (FIFG)* which enhances the competitiveness of the fisheries industry and helps to balance capacity and available resources.

Budget

The agreement by the council and the European Parliament at the end of July 2006 is that the UK will face a 50% reduction in total Structural Funds allocations for 2007-2013 in comparison with the 2000-2006 period² reflecting UK strong economic performance and the need to focus funding on the poorer new Member States. This reduction carries through to Northern Ireland, which will receive only €166 million of ESF³ for 2007-2013 (compared with around €285 million of ESF for 2000-2006).

ESF Programme (2000-2006) Spending Priorities In Northern Ireland

The principal task of the ESF Programme (2000-2006) was to tackle specific labour market needs of those in education who are about to enter the labour market, those who are unemployed and those who are in employment. It also was to pay particular attention to the information Society and local development. The main activities are shown in Table 1 below⁴:

Table 1 ESF Programme 2000-2006 spending priorities in Northern Ireland

| Activity (€million) | (a) Total Expenditure 2000-2006 | (B) EU Income | (c) Matched Funding |
|--|--|----------------------|----------------------------|
| Education&Skill Development | 170 | 110 | 60 |
| Tackling flows into long-term Unemployment | 12 | 8 | 4 |
| Promoting a Labour Market open to all | 117 | 76 | 41 |
| Improving Opportunities | 34 | 22 | 12 |
| Developing Entrepreneurship | 3 | 2 | 1 |
| HRD Development Companies | 77 | 47 | 30 |
| Advancement of Women | 31 | 20 | 11 |
| Programme Total | 444 | 285 | 159 |

Northern Ireland ESF Programme 2007-2013

There will be a single ESF Programme for Northern Ireland in 2007-2013 (with separate ESF programmes in England, Scotland and Wales)⁵. All of Northern Ireland will be eligible for funding. The aim of the new Northern Ireland ESF is to reduce economic inactivity and increase workforce skills in support of relevant EU, UK and Northern Ireland employment policy. This research briefing sets out the programme's priorities to achieve the programme's strategic aim and inter-related objectives, address the key issues arising from the socio economic analysis and support regional employment and skill policy priorities.

² A total of 1.490 billion euro Structural Fund and match funding have been allocated to the Northern Ireland Community Support Framework for the 2000-2006. €788million of ERDF, €444million of ESF, €210 million of EAGGF AND €48 million of FIG. "Northern Ireland Programme for Building Sustainable Prosperity".

³ The consultation document from Department of Financial & Personnel

<http://www.dfpni.gov.uk/index/finance/european-funding/eu-future-funding/eu-consultation-document.htm>

⁴ DFP&DEL ESF Programme 2000-2006 <http://www.dfpni.gov.uk/>

⁵ General Information on European Social Fund. <http://www.esf.gov.uk/>

ESF Programme (2007-2013) Spending Priorities in Northern Ireland

Two main priorities have been proposed for the 2007-2013 ESF for Northern Ireland as follows⁶:

Helping people into sustained employment
Improving workforce skills and adaptability

A third priority is to finance the preparatory, management, monitoring, evaluation, information and control activities of the operational programme.

The 2007-2013 indicative budget allocations are set out in Table 2 below:

Table 2 ESF Programme 2007-2013 spending priorities in Northern Ireland

| PRIORITY/ACTIVITY (€MILLION) | ACCOUNTABLE DEPARTMENT | (A) TOTAL EXPENDITURE 2007-2013 | (B) EU INCOME | (C) MATCHED FUNDING 60% |
|---|------------------------|---------------------------------|---------------|-------------------------|
| Priority 1: helping people into sustained employment | | | | |
| Community Sector project delivery | DEL | 228 | 91 | 137 |
| Innovative Partnership activity | DEL | 12 | 4 | 7 |
| Priority Total | | 240 | 95 | 144 |
| Priority 2: Improving workforce skills and adaptability | | | | |
| Apprenticeships (PTT Programme) | DEL | 97 | 39 | 59 |
| Adult Upskilling (PTT Programme) | DEL | 72 | 29 | 42 |
| Priority Total | | 169 | 68 | 101 |
| Priority 3 Technical Assistance | | | | |
| Programme Support | DFP/DEL | 7 | 3 | 5 |
| Priority Total | | 7 | 3 | 5 |
| Programme Total | | 416 | 166 | 250 |

Objective of Priority 1

The objective of Priority 1 is to increase employment and reduce unemployment and inactivity. It will help to improve the employability of those groups experiencing significant employment gaps including people with disabilities and health conditions, lone parents, older workers, young people, women and people with low qualifications by identifying and tackling their personal barriers to entering and competing effectively in the labour market. The Priority will contribute to improving social inclusion by tackling and preventing worklessness and the Skills Strategy by helping unemployed and inactive people to gain the skills they need for employability.

Beneficiaries (Activity supported under Priority 1 will target):

⁶ The consultation document from Department of Financial & Personnel
<http://www.dfpni.gov.uk/index/finance/european-funding/eu-future-funding/eu-consultation-document.htm>

- People who are unemployed, long-term unemployed or economically inactive, especially people with disabilities and health conditions, lone parents and older workers.
- Young people not in education, employment or training.
- Unemployed, long-term unemployed and economically inactive adults without the essential skills of numeracy and literacy and ICT.
- Women and people with low qualifications.

Indicative Activities:

Priority 1 will support activities to extend the employment opportunities of unemployed, long-term unemployed and inactive people by helping them to enter, remain and make progress in sustained employment. There will be a focus on people with disabilities and health conditions, lone parents, older workers, young people, women and people with low qualifications. Activities should help people to combat inactivity whatever the underlying cause, improve their employability, reduce personal barriers to entering employment and enable them to compete effectively in the labour market. Training and other support may continue after participants have entered jobs.

Objective of Priority 2

The objective of Priority 2 is to develop a skilled and adaptable workforce by improving the acquisition of Level 1, 2 and level 3 skills and the Essential skills of literacy, numeracy and ICT by new entrants to the labour force and those already in the workforce and extending the labour market opportunities of women, lone parents, those on income support and older people by reducing the barriers to entry and continuation in learning. By improving workforce skills and adaptability Priority 2 will help to increase productivity, enterprise and competitiveness and ensure the right workforce skills for future employment opportunities. It will also promote sustainable employment and social inclusion by focusing on those who lack essential skills and level 2 qualifications.

Beneficiaries (Activity supported under Priority 2 will target):

- Workers without level 1, 2 and 3 qualifications;
- Workers without the essential skills of literacy, numeracy and ICT;
- New entrants to the labour market, 16-19 years old;
- Young people not in education, employment or training;
- Workers aged 50+;
- Low skilled workers in poorly paid jobs;
- Women and men who want training to enter non-traditional occupations and sectors.

Indicative activities:

Priority 2 will support activities to raise the skills levels and adaptability of workers and new entrants to the labour force through lifelong learning and ensure the right workforce skills for future employment opportunities. Activities will provide those already in the workforce but lacking appropriate skills or qualifications and new entrants to the labour force, especially young people, with the opportunity to secure

specific skills and qualifications. This will sit alongside and complement provision for those who are unemployed and economically inactive.

The following activities will be funded within the Government arrangements for the new professional and technical training provision:

- Access to and provision of apprenticeships
- Flexible menu of provision including: personal and social development; employability skills within a vocational context; specific tailored training; work sampling; and non-NVQ based training.
- Essential skills of literacy, numeracy and ICT
- Level 2 and 3 qualifications for sectors highlighted in the Sector Skills Agreements
- Training focused on individuals in lower skilled and/or vulnerable jobs and requiring transferable skills
- Lifelong learning and vocational training for low skilled and low paid women workers to improve their progression
- Training to enhance the participation of older workers in employment and extend working life.

Objective of Priority 3:

This will include the programme's publicity and communication strategy, support for cross-cutting themes and the development of the programme's monitoring and evaluation system.

Indicative activities:

Activities may include:

- Monitoring and Evaluation
- Information and Publicity
- Recruitment and selection of projects, including economic appraisals
- Monitoring Committee and other management activities
- Dissemination of project good practice
- Modifications to the Structural Funds Central Database
- Audit activity.

THE IMPACT ON REDUCED ESF IN NORTHERN IRELAND

The substantial reduction in EU funding for the ESF programme can be seen in Table 3 below. While the matched funding from Government will make up a large part of the shortfall, the total funding will still be concededly less in real terms (due to the effect of inflation).

Table 3 Comparison of 2 period ESF Programme spending priorities in Northern Ireland

| Period / (€million) | Total Expenditure | EU INCOME | Matched Funding |
|---------------------------|-------------------|-----------|-----------------|
| ESF Programme (2000-2006) | 444 | 285 | 159 |
| ESF Programme (2007-2013) | 416 | 166 | 250 |

According to the Special EU Programme body⁷, the main concern among participants is the fear of losing paid posts, which have been funded through the ESF Programme (2000-2006). Loss of staff would have a potentially serious impact, especially within smaller organisations, where staff knowledge and contacts are essential to the survival of the programme. Also the concern relates more to maintaining the momentum that has been created in terms of building confidence and facilitating engagement within communities. There is a fear that a reduction of ESF funding will weaken the community infrastructure with small groups being unable to secure funding.

⁷ PEACE11 Geographical Survey Special EU Programme <http://www.seupb.org/consultation.htm>