

European Social Fund Investments in the Czech Republic and Slovakia

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Abstract

The paper is focused on the investments of European Social Fund as they were implemented in the period 2007 – 2012 in the Czech and Slovak Republics. The primary objective is evaluation of the success in targeting these investments into high unemployment suffering districts, secondary objectives deal with the fund beneficiaries and their distribution among the subjects of the institutional sectors of the national economy and with the thematic division of the investments. The results are somewhat ambivalent in terms of allocating the European Social Fund resources into high unemployment districts. From the available projects it is not possible to conclude that these districts are indeed more supported as opposed to the rest of them. The involvement of subjects from different institutional sectors is characterized by dominance of the central public administration which is especially pronounced in Slovakia and thematically the investments lean heavily toward social inclusion projects in both countries.

Keywords: Czech Republic, European Social Fund, European Union, Slovak Republic

1. Introduction

Considering the objectives of the European Union as stated in the Europe 2020 strategy, as well as the efforts of individual member states to improve the quality of life of their citizens, the European Social Fund (referred to as ESF from now on) presents an important tool of delivering social, educational and other human resources related policies. In terms of research the questioning of impact of the structural funds in general is present at large, fewer studies concern themselves with more detailed look at the ESF itself (Verschraegen, Vanhercke & Verpoorten 2011). Out of these there are the works focused on activation the job seekers (van Gerven, Vanhercke & Gürocak 2014; Verschraegen, Vanhercke & Verpoorten 2011), general issues of employment and unemployment (Latviete

2009), or the works focused on the ESF contribution to the emergence and promotion of knowledge driven society (Arhipova & Balina 2008; Burlea 2011; Tome 2010).

This work complements the insights into employment and unemployment and its relation to the ESF. It primarily focuses on the spatial coherence of ESF funded projects and the unemployment rates in the Czech Republic and Slovakia within the 2007 – 2012 period. Secondary objective includes research into projects holders and the investment objectives. Given, that the ESF history precedes that of other fund which now count among the European Structural and Investment Funds and mirrors closely the history of European integration process itself (Schäfer et al. 2007), this research constituted as important update of knowledge about the European Union activities in Central and Eastern Europe.

2. ESF history and current standing

The ESF was established by the Treaty of Rome that covered, among other topics, social issues, educational issues, gender equality, employment or questions of working conditions. The ESF establishment was grounded in the articles 123 – 128 (Majone 1993). From its establishment until the 1960s Tome (2013) concludes there were no great turbulences in as far as employment was considered. The 1970s, however, brought an unwanted change connected to oil shocks and following crisis which did strike also the European Economic Community. The effects of these shocks were researched for example by Jiménez-Rodríguez (2008), Labbate (2014) or Bomhoff (1983). Since the 1970s then the ESF was changing its focus in terms of target groups. Previously, the unemployed were the only group considered. Since 1970s handicapped, women, workers from textile industry, restructuring companies were of interest (Tome 2013). The 1971 reform which saw all these groups being shifted into focus also saw opening of the fund, previously reserved for public sector alone, to the operations of private sector (European Commission 1998). As the unemployment continued to grow in the following years the European Commission broadened the focus of the ESF to new target groups and issues such as youth, impoverished, employment training, counselling, resettling workers and job creation (Vandamme 1984). The oil shocks were particularly ill-omened for the migrant who constituted another new target group (Macmillen 1982).

At the end of the 1980s the ESF was included in the groups of so called structural funds and was subject to all the results of structural policy reform including adhering to the new principles, objectives et cetera (Commission of the European Communities 1989). In connection with this reform Vandamme (1990) mentions the newly emerging priorities of long term unemployment combat, education related investments, youth work training and supporting the mobility of workforce. Apart from the objectives of the structural policy itself the fund was active also in support of multiple Community initiatives such as EUROFORM, NOW and HORIZON (European Commission 1998).

The activities of the ESF in 2000 – 2006 programming period of the European Union were defined by the 1784/1999 Regulations and included unemployment prevention, equal opportunities support, life-long learning support, promotion of well qualified, educated and flexible works, or special measures to ensure better access to work for women (European Parliament 1999). These objectives were also highlighted by the Lisbon agenda according to Hansen & Triantafillou (2011). Daly (2008) reminds of strongly accentuated social inclusion issues which were part of the Lisbon agenda, although they slowly faded to background preceded by the need to create new jobs and promote sustainable development which has a social dimension of its own.

The following programming period of 2007 – 2013 set the ESF to support two out of three available objectives. The Convergence objective which focused on the most socio-economically lagging regions and the Regional Competitiveness and Employment. Thus the fund covered the entire European Union territory. Within the Convergence objective the fund was to improve the investments in human resources and to strengthen the institutional capacity and the efficiency of the public administration. Within both the objectives it should have concentrated on adapting the workforce, entrepreneurs and companies to economic challenges, improve the access to labour market, prevent the unemployment, strengthen the inclusion of marginalized people, promote anti-discriminatory policies, support educational systems and partnership platforms (European Parliament 2006). This suggests that the target group of the ESF were already very many at this stage of its existence, however as Viso (2010) implies, the equality and anti-discrimination actions were of paramount importance.

3. European Social Fund in the Czech Republic and Slovakia

The ESF funded two Convergence objective programmes in both countries of interest in the relevant programming period 2007 – 2013. In the Czech Republic these were Human Resources and Employment and Education for Competitiveness, in Slovakia they were Employment and social inclusion and Education. Essentially, in both countries there was an education oriented programme and employment/inclusion oriented programme. The education oriented programmes had a rather similar purpose as indicated in table 1.

Table 1: Priority axes of education related operational programmes

Education for Competitiveness (Czech)	Education (Slovak)
Reform of the Education and Vocational Training System	Initial Education
Continuing Education as an Instrument of Human Resource Development	Tertiary Education, Research and Development
Support to Education of Persons with Special Education Needs	Further Education
Modern Education for a Knowledge-Based Society for the Bratislava Region	System Framework of Lifelong Learning
Technical Assistance	Technical assistance

Source: Ministry of Education Science Research and Sport of the Slovak Republic (2007); Ministry of Education Youth and Sports (2007)

The Slovak side stated the global objective of the Education programmes as “ensuring competitiveness of the Slovak Republic in the long run by adapting the system of education to the needs of a knowledge-based society” (Ministry of Education Science Research and Sport of the Slovak Republic 2007). Similarly, the Czech programme Education for Competitiveness states its global objective as “development of an educational society in order to strengthen the Czech Republic’s competitiveness by modernizing the systems of initial, tertiary and further education, integrating them into a comprehensive system of lifelong

learning, and improving conditions in research and development” (Ministry of Education Youth and Sports 2007).

The other set of operational programmes funded from the ESF was focused on the matters of employment and social affairs as shown in table 2. In terms of global objectives, the Slovakian operational programme set it as “growth of employment, reduction of unemployment, social inclusion and capacity building” (Ministry of Employment and Social Affairs of the Slovak Republic 2007). The Czech version of the global objective amounts much to the same while emphasizing the employment strain of the programme when it sets the objective to “increase the employment and employability of people in the Czech Republic to the average level of the 15 best EU countries” (Ministry of Labour and Social Affairs 2008).

Table 2: Priority axes of employment and social affairs related operational programmes

Human Resources and Employment (Czech)	Employment and Social Inclusion (Slovak)
Adaptability	Supporting employment growth
Active job market policy	Supporting social inclusion
Social integration and equal opportunities	Supporting employment, social inclusion, and capacity building in the BSR
Public administration and public services	Building capacities and improving the quality of the public administration
International cooperation	Technical assistance
Technical Assistance	

Source: Ministry of Employment and Social Affairs of the Slovak Republic (2007); Ministry of Labour and Social Affairs (2008)

4. Methodology

The analysed data is based on the lists of beneficiaries of cohesion policy funding, which are mandatorily published by the two countries of interest. These lists are, for the purpose of this work, insufficient had to be supplemented by additional information from relevant sources.

In order to identify the spatial relationship between unemployment and the funding it was necessary to determine the seat of applicants for projects. In both countries, it was possible to identify the applicant by using information systems maintained by national statistical offices. In the Czech Republic it was the Business Register, in the case of Slovakia, a Statistical Register of Organizations. These sources also provided the information on the number of employees in private enterprises. Information about the project site location was in the Czech Republic, published by the Ministry for Regional Development through the website of the Center for Regional Development. In the Slovak Republic, this information was included in the actual contracts with the beneficiaries, which are published in the Central Register of contracts, or the Central registry of projects. For purposes of identifying the influence of regional unemployment the information on the company seat and project site location were identified at LAU level 2 (municipality) - LAU 1 (district) - NUTS 3 (region)

and NUTS 2 in both countries. Of course part of the projects, especially projects of national rather than individual character, was impossible to identify so. These projects were therefore excluded from the evaluation as per the location site.

For individual districts the registered unemployment rate was further determined. The rate used was calculated as an average for the years 2005 – 2011 in order to take into account the effect of this indicator in deciding on the allocation of financial assistance. The data for calculation were provided by the statistical offices of the respective countries. The resulting values of individual districts were then divided into quartiles with the first quartile districts having the lowest unemployment and fourth quartile the highest unemployment.

In the Czech Republic the largest concentration of troubled districts in terms of unemployment existed in north-western Bohemia, especially in the districts of Ústecký Region, and north and south Moravia. When looking at specific districts, the highest average registered unemployment rate was noted in Most (16.1%), Jeseník (15.1%) and Bruntál (14.2%). In the Slovak Republic the most affected regions were Prešovský, Košický and Banskobystrický. The highest unemployment rate average for years 2005 - 2011 was registered in the districts of Rimavská Sobota (30.6%), Revúca (27.8%) and Rožňava (24.4%). Generally, the districts affected by high unemployment concentrated in the eastern and southeastern parts of Slovakia, which corresponds to the assessment of regional disparities in the Slovak Republic by other authors (Hornák & Rochovská 2007; Lauko, Križan & Gurňák 2009; Matlovič, Klamár & Matlovičová 2008; Švecová & Rajčáková 2013, 2010).

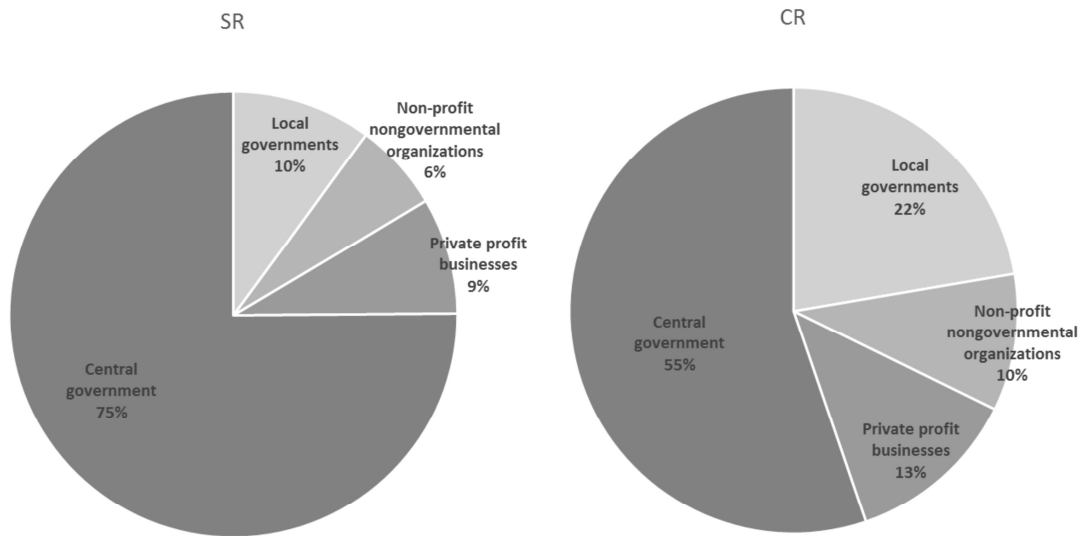
The issue of project holders was viewed in terms of individual sectors of the national economy in distinction to local government, central government, non-profit nongovernmental organizations, and private profit businesses. The categories were assigned according to the data found in business organizations registers of both countries.

The analysis reflecting the investment objectives was treated with regards to the topics on which the projects were actually focused. The themes targeted stem from the areas described in individual operational programmes described in chapter 3 and were identified as follows: initial education; tertiary education, research and development; lifelong learning and continued education; training of employees in enterprises; improving public services and human resources in public administration; and social inclusion.

5. Results

When comparing the two countries in terms of the share of sectors of national economy, it is clear that the activity of the central government was dominant in both of them, and predominantly so in the Slovakia where the central government led projects amounted to three-quarters of the total allocation of the approximately 1,296 bil. € spent in the ESF funded projects. In the Czech Republic it was roughly twenty percent less, nevertheless the government still got over half the share out of the total amount of 3,118 bil. € spent. In both cases, in consideration also included national projects. The central public administration in Slovakia was very active as a project leader especially at the expense of local Slovak governments, whose share was rather more significant in the Czech Republic as indicated by figure 1. The dominance of Slovak central government was such that it dwarfed even the efforts of project leader from non-profit sector and private businesses.

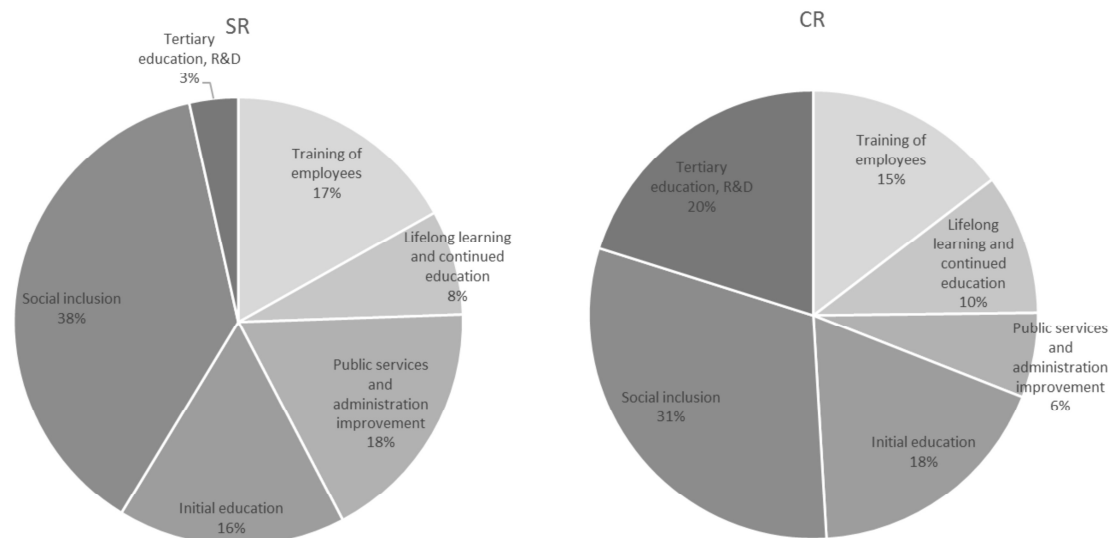
Figure 1: Comparing share on allocation gained by project holders from individual economy sectors



Source: authors based on the lists of beneficiaries – Ministry for Regional Development of the Czech Republic (list of beneficiaries; May 2014); Government Office of the Slovak Republic (list of beneficiaries; May 2014)

In terms of thematic focus of the ESF investments, the most important segment in both countries was the social inclusion. In the Czech Republic this area of interest was somewhat less dominant than in Slovakia, taking not entirely one third of total allocation. Other major investment efforts in the Czech Republic included tertiary education and R&D, initial education and employee training. Comparatively smaller investments were made in lifelong learning and public sector. Slovak projects were somewhat more dominated by the social inclusion oriented one.

Further investments into employee training, lifelong learning, and initial education were in their proportion equivalent to those in the Czech Republic. A very different approach was taken in terms of support of tertiary education and R&D projects which were decidedly less numerous and amounted to lesser share of total allocation. It is however, necessary to note, that Slovakia had supported this area mainly from European Regional Development Fund. On the other hand, the ESF funding in the Slovak Republic was more distinctly used to support human resources and services in the public administration than it was in the Czech Republic (see fig. 2).

Figure 2: Comparing share on allocation gained by project holders from individual economy sectors

Source: authors based on the lists of beneficiaries – Ministry for Regional Development of the Czech Republic (list of beneficiaries; May 2014); Government Office of the Slovak Republic (list of beneficiaries; May 2014)

As for the primary objective of this paper to compare the ESF investment flow with the registered unemployment, the results were rather ambivalent. Apart from the area of social inclusion, the regions with the highest unemployment rate did not belong among those most supported. For purposes of international comparison, the table 3 shows support to the four groups of regions as per their position in quartiles according to the registered unemployment rate. Comparing the two countries, the nature of support is rather similar in both cases. The first quartile districts, characterized by the lowest unemployment rates in both cases show markedly stronger support per capita than any other group. It is in part caused by the activities of the central governments and the branches of the governments which are naturally present in the capitals. Other groups of regions therefore register visible decrease in per capita support from the ESF. The second largest support per capita was awarded to the districts of the fourth quartiles which register the highest unemployment rates in the respective countries. Even though the amount of support per capita is halved when compared to the first quartile, it still presents a marked success in terms of steering the allocation in the right direction. There is, however, a distinct shift in the nature of the projects to a less value added ones. The fourth quartile districts are supported mainly by the projects concerned with the issues of social inclusion, rather than any other category. While it would be unrealistic to expect large investments into tertiary education, R&D or unemployment policies which are made at the first quartile level, the lack of support for projects concerned with other topics than social inclusion and basic education raises the question of what types of project will these regions sustain once, the basic efforts for human resources improvement were made. The difference in support of the second and third quartiles in both countries is small.

Table 3: Per capita support of projects implemented within the districts grouped according to the unemployment rate

Districts	Slovak Republic		Czech Republic	
	Registered unemployment	Per capita support (EUR)	Registered unemployment	Per capita support (EUR)
1 st quartile	< 7,6 %	151	< 6,7 %	136
2 nd quartile	7,6 – 10,7 %	67	6,7 – 8,0 %	71
3 rd quartile	10,7 – 17,0 %	68	8,0 – 10,0 %	68
4 th quartile	17,0 – 30,6 %	85	10,0 – 16,1 %	79

Source: authors based on the lists of beneficiaries – Ministry for Regional Development of the Czech Republic (list of beneficiaries; May 2014); Government Office of the Slovak Republic (list of beneficiaries; May 2014), data on population and unemployment rate from the Czech Statistical Office and Slovak Statistical Office

6. Concluding remarks

The European Social Fund is a long-term instrument of intervention supporting the human resources. Its establishment is associated with the founding of the European Economic Community itself. The fund has undergone many reforms and since the late 1980s of its existence, whilst maintaining its focus on human resources, the portfolio of target groups and interventions over time grew to include new sectors and specific social groups. In period 2007 – 2013 in the Slovak and Czech Republic the fund provided its support through two similar operational programmes in each country.

The evaluation of provided support was the objective of this paper. It focused primarily on question of supporting the districts most affected by unemployment in the respective states. The results, however, were inconclusive. In neither country there was significant preference for districts with the highest registered unemployment rate in spite of the disparities being substantial as far as the unemployment is concerned. While no country may be seen as channelling the ESF investments predominantly into unemployment affected regions. The similarities end in the involvement of institutional sectors. The Slovak Republic shows clear dominance of the central public administration, while the Czech Republic, also registering more than half investments to the central government, routes more of the investments to the local public administration institutions. In terms of investing into different areas, both countries reserve the most significant investments for social inclusion projects.

It can be concluded that despite the limitations of this research, caused mainly by the impossibility of identifying the actual place of implementation of the national projects, the two countries take rather similar approach to using the European Social Fund support as far as the strategic preparation and the treatment of districts with high unemployment is concerned. In the future the challenge will be presented by constraint in the finances and efficiency of their allocation.

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