ESF+ DATA SUPPORT CENTRE

25 MARCH 2021 – 4TH ESF+ DATA NETWORK MEETING

DRAFT NOTE – TARGET SETTING

JULY 2021 UPDATE

Table of Contents

This document is a draft working document. It has been updated following discussions during the 4th ESF Data Network Meeting on 25th March 2021 and may be further developed following subsequent discussions or input received from Member States.

1   Introduction

Target setting is a key exercise that helps not only the monitoring but also the programming of operations from a results-based management perspective. Defining a target requires careful reflection on the objective of the support, its target groups, costs as well as expected results, also in the light of contextual challenges. This facilitates an appropriate needs-based allocation of resources for the relevant policy objectives as well as monitoring their capacity to contribute to the intended results. The analysis of progress towards the targets can also shed light on what works and single out factors affecting the performance of the operations, to inform subsequent policy making.

The aim of this note is to promote a common understanding of target-setting methodologies for ESF+ programmes. It also seeks to encourage discussion and shared learning in the process of identifying relevant indicators for which a target should be set as well as methodological choices to be applied in defining them.

The note provides an overview of the general concepts in relation to the scope and requirements for target setting, building upon the requirements set by the Regulation and further explained in the Common Indicator Toolbox, as well as on the experience gained through the Data Support Centre.

It includes some examples and advice for managing authorities on how to ensure the use of sound methodologies to set realistic targets as well as suitably document them (see particularly Annex I – schematic examples on target setting and Annex II – note on measurement unit for target setting). Such indications are however not prescriptive and are rather intended to spur discussion and sharing of experiences.

This note should also be read in combination with the note on programme specific indicators discussing the need for selecting indicators about the major changes the programmes intend to bring about.

2   Requirements and scope for target setting

Requirements for target setting differ depending on the specific objective. In particular:

- For **SO(a) to SO(l)**
    o   Each programme shall set at least one cumulative target for output indicators and one target for result indicators for each specific objective. In addition, cumulative milestones should be set for the output indicators with a target.
    o   Targets are values to be achieved by the end of 2029. Milestones are intermediary targets to be achieved by end-2024.
    o   Targets should be set only for a limited number of common indicators and, when necessary, a limited number of programme specific indicators.
    o   The selection of indicators for which targets are set should be based on the intervention logic. Relevant indicators are those that measure the intended major

change(s) and main deliverables of the specific objective. The criteria followed to identify such indicators should be documented in the methodology document.

- o For result indicators for which a target is set, reference values shall be fixed using the latest available data or other relevant sources of information (Article 15 (3) of the ESF+ Regulation). Reference values should be values based on data from similar existing or previous interventions.

- o Targets are preferably expressed in the same term as the corresponding indicator. When a target for a result indicator is set as a percentage of an output indicator, it is important that the corresponding output indicator is properly referenced (see Annex II for a more detailed description of the issue).

- o Milestones are set only for output indicators, and they are always expressed in absolute numbers.

- o The methodology used to set targets must be well documented (see section 3 below and Annex I).

- For **SO(m)**:

    - o Milestones and targets are not required.

    - o A **reference value** should be set for a limited number of result indicators that - based on the intervention logic - measure the main deliverables to be achieved in the specific objective. It is used to compare the indicator's achieved value with past experience within the context of the FEAD. It will usually be based on historical achievements deemed relevant as comparison.

Table 1 – Summary of requirements for targets

	SOa-SOl (less & most deprived)		SOm	
	Output	**Result**	**Output**	**Result**
Milestones (2024)	**Yes** - for output indicators with a target	**No**	**No**	**No**
Targets (2029)	**Yes** - for a selection of output indicators	**Yes** - for a selection of result indicators	**No**	**No**
	The selected indicators ought to measure the intended major change(s) and main deliverables of the specific objective. For each SO, target should be set for at least 1 output indicator and 1 result indicator (common or programme-specific).			
Baselines	**Yes** – for output indicators with targets. Always zero.	**No**	**No**	**No**
Reference values	**No**	**Yes** - for result indicators with targets	**No**	**Yes** – for a selection of indicators

Source: Based on ESF+ Regulation, CPR regulation, and Indicators toolbox.

Based on Article 17 of the Common Provision Regulation (Methodologies for the establishment of the performance framework), the methodologies used for identifying selected indicators and define targets shall include:

a. the criteria applied by the Member State to select indicators;
b. data or evidence used, data quality assurance and the calculation method;
c. factors that may influence the achievement of the milestones and targets and how they were taken into account.

This is further discussed below.

3 Importance of target setting

Target setting is one of the most important aspects for both the performance monitoring and the programme implementation. Inappropriate target setting may lead to creaming and may influence the programming and implementation (e.g. if targets are too "ambitious", they may reduce the flexibility in terms of implementation, whereas if they are too "conservative", they may miss their main aim and have little – if any – value, or even be misleading by giving the false impression that the programme is performing well and thus, overshadowing the need for corrective actions). Thus, it is important to invest adequate time and resources in the planning stage to better understand the achieved values of indicators. All Member States are invited to start working on their target setting methodology as soon as possible (even in the absence of detailed indicative plans on funding by type of action, which is a parameter that is only necessary in the final estimation of the target).

In describing the target setting methodologies, it is important to clearly explain all the assumptions made, even if there is not sufficient information to make precise forecasts. Only the context of the target value will allow the meaningful comparison of the achievement value with the target, by revealing which factors were and which were not taken into account in the target estimate. The methodology includes seemingly "non-assumptions", such as, for instance, when targets are set based on just the reference values from the previous programming period, without adjustments. In this case, there is an implicit assumption that all factors, including internal and contextual factors affecting target achievement, will remain the same as in the previous programming period.

4 Main steps of target setting and points of attention

Defining a good methodology to identify appropriate reference values for the milestones and final targets can be seen as a five-step process.

4.1 Step 1 - Identification of indicators for which targets shall be set

The **selected indicators should measure the major change(s) intended and main deliverables to be achieved under the specific objective as a whole** and could be either common or programme-specific indicators.[1]

There are **no fixed criteria other than the link with the intervention logic** that can be listed in this respect. Consideration can also be given to the size of the operations as well as their relevance from a policy perspective.

With respect to the number of indicators which should have a target, **the minimum requirement is to set targets for at least 1 output and 1 result indicator**. In certain cases, this might be enough, but it is not necessarily so. **It is important to ensure that the main achievements of the specific objective are measured by indicators with targets**.

However, there can be some parts of operations which are not covered by targets. That is particularly relevant in the case of new or innovative interventions for which no reference values are available, and it is therefore difficult to set targets. In such cases, it is possible to have PSI without targets and

---

[1] For setting programme-specific indicators please consult the concept note on Programme Specific Indicators prepared by the Data Support Centre.

to report only factual achievements. However, **it is worth noting that the exploration of reference values can extend to other countries/regions where comparable interventions may have been carried out in the past.**

In any event, the application of targets on each type of operation (micro-monitoring) is not encouraged, as targets should try to capture only the main contributions towards the specific objective[2]. Programme specific indicators with a target focussing on (the type of) operation may be justified in exceptional cases, e.g. (type of) operations dedicated to implement a CSR or an EU initiative.

4.2   Step 2 - Identification of relevant historical values for the selected indicators

The starting point is to identify a suitable benchmark for the unit cost (output and result indicators) or success rate (result indicators) of the operation. In doing so, attention should be paid to the adequacy of the benchmark value identified and to the data or information used as a reference.

In other words, is the following criteria are paramount.

- The information used is sufficiently **up-to-date,** therefore preference should be given to operations that are comparable in terms of support offered, target groups addressed etc., but also sufficiently recent to minimise uncertainty. Adjustments in case of already known changes in the cost of service provision, inflation rates etc. should be accounted for.

Example: the planned operations will provide professional training for unemployed with up to secondary level education. The training is expected to last 100 hours. A similar provision (target group and type of support) was offered in the ESF 2007-2013, with a unit cost (cost per participant) of EUR 1,000. However:
- In 2021-2027, the service will be implemented by different providers, which have a higher unit cost. In the year 2010, they charged 1,200 EUR/participant
- The average inflation rate since then has been 2%.[3]

The resulting, adjusted unit cost is[4]:
Original unit cost*(1+capitalised inflation rate) = 1 200*(1,02)^14 = 1 583.4 ≈ 1 585 EUR/participant
In general, it would be preferable to use a reference value from an operation that is more recent, given the inevitable uncertainty entailed by using a benchmark from a distant point in time (e.g. tools, regulations, curricula, requirements for trainers etc might have changed considerably over time).

- The information used is based on operations that are **comparable** in terms of type of support offered and target group addressed. Whenever the benchmark data identified is known to partly deviate from the planned operations, adjustments should be foreseen.

Example: based on the example above, assume that the scope is narrowed so that only unemployed with <u>less than</u> secondary (i.e. only primary) level education are covered. (At least) two options exist.

---

[2] Programming and data transmission takes place at the level of the specific objective (not any type of operation- or operation-level programming or reporting).
[3] The estimation here might change depending on when exactly the prices of the operation are set. If contracts will be signed, say, in 2025, then also estimates of the inflation rate for the coming years should be factored in.
[4] The inflation rate should be capitalised yearly. The resulting coefficient for the inflation rate considering 14 years of difference (two programming periods) is $(1.02)^{14}$

- Adjusting the previous unit cost, say, based on a quick survey with training providers indicating that the cost for this new service (that allows you to gain a qualification) is 30% lower on average[5].
  The resulting unit cost would be: *Original unit cost*(1+capitalised inflation rate)*(1-discount rate due to the simpler service offered)* = $1\ 200*(1,02)^{14}*((100-30)/100)=1\ 108.4 ≈1\ 110$ EUR/participant.

- Finding a more comparable benchmark value in terms of type of operations and target groups for the historical unit cost (e.g. by extending the search in other, comparatively similar, regions or countries).

- The information used is **unbiased.** When using ESF data from previous programming periods or ongoing operations, attention should be paid to any known data issues, such as underreporting, over declaration or double-counting.

Examples
- Underreporting: it might be known that only 80% of all participants had been recorded in the previous programming period due to an issue with the monitoring system. Costs used as denominator for the unit cost/participant should be reduced proportionally.
- Over declaration**:** it might be that certain operations report higher costs before certification of eligibility. This should be controlled for.
- Double-counting: participants who have been counted twice due to issues with registries or data reporting.

- The information used is **relevant**, i.e. it only refers to similar operations and does not include for instance administrative costs[6] (especially when data are based on information aggregated at the level of the investment priority).

Example: in 2014-2020 training was provided to gain a qualification, increase employment chances or to improve the labour market position of participant. The programme was open to anyone aged under 29 years old (i.e. irrespective of labour market status at the beginning of the operation). The success rate of those finding employment after this operation is considered as a benchmark for a new, similar operation with narrower scope, focusing only on inactive. It is important that:
- only those initially inactive are considered for the success rate of CR04 "participants in employment";
- in calculating the relevant unit costs, the focus should be on the inactive only.

- The information used is **correct**, i.e., based on monitoring data in which financial, output and result indicators correspond to each other. Time-lags in the reporting of certain indicators might affect unit costs/ success rates.

Example: targets are being set in 2021 for operations for the socio-economic integration of the Roma. Operations are foreseen in continuity with the 2014-2020 programming period: same providers, type of support and target group. There was only one type of operation at the IP level (IP 9.ii). The most recent data available on IP 9.ii is data included in the AIR2021, hence cumulative values by the end of 2020, and they refer to partially implemented operations. In addition:

---

[5] The resulting unit cost could be. The unit cost for training for individuals at lower ISCED levels might be lower due to the fact that a qualification on basic skills, e.g. basic IT skills through the European Computer Driving Licence, requires less specialised trainers, less intensive training etc. than, say, acquiring a certification in sophisticated programming languages such as Java or C++ for individuals starting from a higher ISCED level.
[6] It is ok to include administrative costs in unit costs, but it is important to only include administrative costs that are specific to the operation for which the unit cost is being calculated. This might be more difficult when data is to be extracted from IP-level (aggregated) values.

- the total eligible cost of operations selected for support was EUR 10 million;
- the total eligible expenditure declared by beneficiaries to the managing authority was EUR 5 million;
- the total number of Roma participants was 10,000; and
- the total number of inactive starting to seek employment six months after leaving support was 2,000.

These figures however might not correspond to one another.
- The total eligible expenditure declared is lower than the total cost of the operation due to ongoing declaration processes.
- The total number of participants refers to the entry to the operation, which happens after the eligible operations are approved for support but before the related expenditure can be declared.
- The total number of inactive starting to seek employment is based on a survey run at the beginning of 2020 and on a sample calculated on a population of around 7,000 participants (i.e. not the full 10.000 participants measured by the end of 2020).

Thus, an effort should be made to identify the actual eligible expenditure that is linked to the 7,000 participants being supported and for which information on results was effectively collected.

4.3 Step 3 - Identification of intended/expected changes in the design of the operations that will increase their efficiency or effectiveness

It might be helpful to adjust the benchmark values identified based on **intended/expected changes in the design which may affect the efficiency or effectiveness of the operations**. This is relevant when using historical costs or success rates, as there might be significant performance enhancements that need to be reflected in the target setting. Improvements might concern:

a. Efficiency in service delivery: fewer resources (and, therefore, lower costs) are needed to offer a service of similar quality.
b. Effectiveness of service delivery: improved success rates are anticipated from a similar level of support, all else being equal.
c. A combination of both: cheaper operations are expected to lead to higher success rates due to the improvements in service provision.

Including intended changes in the design of the operations in target setting is likely to allow: (i) a better identification of the necessary financial resources to achieve a certain result (ii) better and more efficient use from all actors involved.

4.4 Step 4 - Identification of contextual factors expected to affect target achievement

As indicated in the CPR, **the methodology to establish the performance framework should document the way in which factors potentially affecting target achievement are factored in**. This might be particularly relevant in the light of the current unprecedented COVID-related situation. Once unit costs/success rates for the relevant types of operations and target groups are calculated, adjustments for the context in which operations will be implemented, should be analysed and factored in, to the extent possible.

- The impact of COVID: on the uptake of measures by the target groups (e.g. potentially much more people in need of support), on service provision modalities (e.g. online or cost of safety measures), on the composition of the target groups and intensity of support provided (e.g. unemployed or inactive participants who are however in such condition due to the COVID crisis rather than structural need for support), on the degree to which results can be achieved (e.g. for employment outcomes, in the first years low level of vacancies might imply lower success rates, whereas the recovery might imply a significant upward turn).
- The green and digital transition, and the specific need to re-skill in certain areas/sectors.
- Delays or a different timeline for the operations, including due to the concurrence of different funds being available to mitigate the effects of the COVID-19 pandemic.
- Changes in the regulation, overlaps with national programmes modifying outreach to the target groups.
- Any other relevant contextual factor.

In light of the unprecedented times, accounting for all external factors might be difficult. This is widely acknowledged. However, even if it were preferred to use a limited number of assumptions due to the current uncertainty – (i.e. defining target values that align closely with reference values from the past), it is important to spell out that such target values are valid only in case that external factors do not affect the performance significantly. That way, if certain factors do materialise, it is easier to interpret why a given target was not met.

Attention is also drawn to the fact that the choice of target values based on unrealistic assumptions – which might include the assumption that no external factors will affect performance – might hamper the correct programming of resources as well as monitoring over their performance.
Thus, whichever the choices about using detailed assumptions on target setting, it is important that all of them (including those implicit, if any) are clearly spelled out in the methodology.

4.5 Step 5 - Calculation of the final target and milestone values at the specific objective level

This step involves bringing together information on potentially different types of operations for different target groups (which impacts the unit cost), adjusting them based on relevant assumptions, and correctly weighting them before setting the specific objective level target.

Example
- Final target: two target groups contribute to a target being set on CR04 (number of inactive and unemployed finding employment). However, the unit cost differs by target group (say, EUR 2 000 for inactive participants and EUR 1 000 for the unemployed) and so does the success rate (say, 40% for inactive and 60% for unemployed). Half of the budget EUR 20 million is allocated for the inactive and the other half for the unemployed. The resulting success rate IS NOT 50% (simple average) but 53,3% as the unit cost differs and hence the number of those participating by previous labour market status. The correct success rate can be calculated as:

$$\frac{\left(\dfrac{Budget\ unemployed}{Unit\ cost\ unemployed} * Sucess\ rate\ unemployed\right) + \left(\dfrac{Budget\ inactive}{Unit\ cost\ inactive} * Sucess\ rate\ inactive\right)}{\left(\dfrac{Budget\ unemployed}{Unit\ cost\ unemployed}\right) + \left(\dfrac{Budget\ inactive}{Unit\ cost\ inactive}\right)} =$$

$$\frac{\left(\dfrac{10\ 000\ 000}{2\ 000} * 0.4\right) + \left(\dfrac{10\ 000\ 000}{1\ 000} * 0.6\right)}{\left(\dfrac{10\ 000\ 000}{2\ 000}\right) + \left(\dfrac{10\ 000\ 000}{1\ 000}\right)} = \frac{2\ 000 + 6\ 000}{5\ 000 + 10\ 000} = 0.533 \approx 53\%$$

A similar reasoning applies if the success rate varies over time. Weighted averages should always be used.

- Milestone: a final target is calculated for a programme specific output indicators that indicates 1 000 low skilled participants in training for basic skills by the end of the programming period. However, in step 4 (external factors affecting performance) assumptions have been made as to the non-linearity of the progress, due to a slow start of the activities, overlap with other operations and difficulties to engage the target group during the COVID-19 pandemic. The milestone cannot be calculated proportionally to the programming period, but based on the expected pace of implementation in its early stages, also considering, if any, delays in data reporting which might affect it. See the example below.

Assumptions for calculation of the milestone:
▪ Implementation will start in the second half of 2022 and will continue until 2028.
▪ Physical implementation will be slower at the beginning of the programming period.
▪ There will be a lag between financial and physical implementation (assumed 3 percentage points)
▪ There will be some time-lag between physical implementation and the reporting of data (assumed 2 percentage points)

Year	Predicted financial implementation
2021	-
2022	5.0%
2023	10.0%
2024	10.0%
2025	18.75%
2026	18.75%
2027	18.75%
2028	18.75%
2029	-
Total	**100.0%**

Implementation up to end 2024	**25.0%** (5.0%+ 10.0%*2)

Lag between financial and physical implementation on the ground	3%
Lag between physical implementation on the ground and its reporting	2%
Milestone value	**20% = 200 low skilled participants in training for basic skills**

The process used for steps 4.2 to 4.5 is further described with concrete examples in Annex I – schematic examples on target setting. In the same document, three possible alternative scenarios describe different ways in which COVID-19 related assumptions might be dealt with.

Annex I - Schematic examples on ESF+ target setting

ESF Evaluation Partnership meeting (9 June 2020): Target setting in the next programming period

In an online seminar on 5 March and on its Evaluation Network meeting of 13 May, DG REGIO presented a schematic example about filling in the programme template with elements of the intervention logic (e.g. specific objective, types of actions, indicators). It also included a suggested approach to estimating targets for indicators.

Below, a few examples are provided which are meant to show some additional approaches to indicator target setting, starting with the main elements of the intervention logic through an ESF+ example, followed by the main steps of the target calculation. These are presented for discussion in the partnership meeting.

⚠ General Disclaimers

1. These examples are not meant to illustrate the depth and the quality of information in the actual programmes.
2. The examples described below are kept deliberately simple to better focus on the basic differences among alternative approaches. In general, it is encouraged to base target setting on realistic and, to the extent possible, nuanced assumptions to allow for good quality programming.
3. The Commission is fully aware of the difficulties of target setting during such times of uncertainty due to the economic repercussions of the COVID crisis and related lockdown measures. The general capacity to produce sound forecasts is inevitably reduced, also because of policy changes currently being discussed. Hence the need to discuss different scenarios, including the main steps of the calculation and required type of data, as showcased in example 3 below.
4. All figures presented are fictitious.

Example 1: Target estimation in a homogenous specific objective based on IP/specific objective level information

This example intends to show what kind of steps lead to the estimation of the target and what kind of assumptions are the pre-conditions for that estimation.

Estimation of the target values

- Output indicators
    1. Historical unit cost in 2014-2020 IP 9.i active inclusion
    2. Assumptions and adjustments
    3. Estimation: target value = budget of the specific objective / adjusted unit cost
- Result indicators
    1. Historical success rate[7] (CR/CO) in 2014-2020 IP 9.i active inclusion: reference value
    2. Assumptions and adjustments
    3. Estimation: target value = adjusted success rate * reference output indicator's target value

---

Intervention logic

Table 1 - Specific objective[8]: (h) fostering active inclusion with a view to promoting equal opportunities and active participation, and improving employability.

2.A.3.1 Interventions of the Funds - The related types of actions (cf. Article 17(3)(d)(i) 'the related types of actions and their expected contribution to those specific objectives')

- Contribution to the specific objective: the direct aim of the supported active inclusion policies is to bring disadvantaged target groups closer to the labour market. The expected result is that participants improve their skills or acquire new skills or competences necessary in the labour market as well as start searching for a job.
- Types of actions: personalised social and active labour market services by PES and NGOs to disadvantaged groups, in particular migrants and disabled.

Table 2 - Output indicator selected for target setting: CO03 inactive.

Table 3 - Result indicator selected for target setting: CR01: inactive participants engaged in job searching upon leaving.

Output indicator: CO03 inactive

Budget for specific objective: EUR 5 million

1. Historical unit cost: EUR 800/participant
2. Assumptions and adjustments
    - In the 2014-2020 programming period, the OP supported services to eligible inactive participants provided by selected NGOs. Services were provided by both accredited providers and non-accredited providers. Two-thirds of them were non-accredited

---

[7] Another common alternative for estimating the target: unit cost per result.
[8] All references to the programme template refer to the Partial General Agreement on Annex V 'Template for programmes supported from the ERDF (Investment for Jobs and growth goal), ESF+, the Cohesion fund and the EMFF – Article 16(3)'.

providers whose average unit cost was EUR 720/participant. The accredited providers' average unit cost was EUR 960/participant. In the next period, only services by accredited NGOs will be supported.[9] This will raise the unit cost by 20%, from EUR 800 to EUR 960.

- Planned legislation from 2023 will regulate the wages of specialised personnel providing social services. As wages will represent half of the cost per participant (EUR 480), and the average wage of the personnel is due to increase 10%, this is expected to increase the unit cost by an additional 48 euros.
- The unit cost for the new programme is expected to be about EUR 1 000[10] per participant (960+48=1 008≈1 000 EUR/participant).

3. Estimation of 'CO03 inactive' target value: .

$$\frac{Budget}{Adjusted\ unit\ cost} = \frac{EUR\ 5\ million}{1\ 000\ EUR/participant} = 5\ 000\ participants$$

Result indicator: CR01:inactive participants engaged in job searching upon leaving

1. Historical success rate (CR/CO) – reference value: 25%
2. Assumptions and adjustments: [11]
   - **Differences in the quality of the services offered**: average the success rate was close to 25%, but a comparison between a sample of non-accredited and accredited providers has shown that participants receiving services from accredited providers registered at the PES with a success rate of 30%, compared to 22.5% track record of registration among recipients of services by non-accredited providers. The expected success rate for the new operation (which will only include accredited providers) is 30%.
   - **Changes in the composition of the target group**. In the current programming period, 50% of the participants were nationals and 50% were third-country nationals (TCN). In the future, as the Asylum, Migration and Integration Fund (AMIF) will also provide personalised support to migrants, the share of TCN is expected to be lower. This is expected to further raise the success rate by a couple of percentage points, as historical data show that the success rate among nationals has been 10 pp higher. As it is difficult to estimate the extent to which the share of nationals will increase, this composition effect is not taken into account in the initial target setting. In case the

---

[9] In our example, the government decided mainstreaming NGO's labour market service provision with its ALMPs. The primary objective was ensuring transparency in the public market of labour market services and sustained service provision by well-performing NGOs, instead of ad-hoc grants.

[10] This is approximated from 1008 Euros for simplicity and also on the basis that increases in the cost might occur after part of the implementation is already underway.

[11] As per the general disclaimer, it is broadly acknowledged that the achievement of results, especially employment results, can be significantly affected by changes to the socio-economic context, including the business cycle, and even small variations in the types of target groups addressed. A general framework for estimating results is the result equation presented in In Ecorys' background paper (available here) on Setting and adjusting targets for ESF Operational Programmes. The general equation (Section 4.2) was: result = a + b*(impact variables) + c*(participation), where:

- a = hypothetical success rate for a standard individual in a stable economy,
- b*impact variables = changes in the socio-economic context and due to the varying distance of the individuals addressed from the Labour Market and
- c*participation = the net effect of support.

composition will be different from that of the current programming period in the first two years of implementation by more than 10% (e.g. less than 45% or more than 55% of TCN among participants), the target value will be revised accordingly.

3. Estimation of absolute target value for CR01 'inactive participants engaged in job searching upon leaving':

$$Adjusted\ success\ rate * Reference\ output\ indicator\ value$$
$$=$$
$$30\% * 5\ 000 = 1\ 500\ participants\ in\ employment$$

Example 2: Target estimation based on individual unit costs by type of action[12]

This example intends to show what kind of steps lead to the estimation of the target in a more complex specific objective and what kind of assumptions are pre-conditions for that estimation.

Intervention logic: *provision of ALMPs for inactive and unemployed individuals[13]*

Estimation of the target value

CO01+CO03: unemployed + inactive

1. Historical unit costs
2. Assumptions per type of action
3. Estimation: target value = Σ(type of action's budget share / type of action's unit cost)

1. Historical unit costs

In IP 8.i of the 2014-2020 programme, three types of actions were implemented: retraining, mobility and job counselling.[14] The budget of the IP was EUR 10 million split by type of action as follows:

	Retraining	Mobility	Job counselling	Total
Cost (EUR)	5,000,000	2,000,000	3,000,000	10,000,000
Cost (% of total)	50%	20%	30%	100%
CO01+CO03 (participants)	500	500	3,000	4,000

---

[12] As per the third example below, if the goal is to make programming by targets more flexible, then one might follow the "voucher/individual learning account/profiling" logic at specific objective level. Target groups would be sorted into "classes" or "bands" depending on the expected intensity of support needed to achieve a given result -> different average unit costs based on their background characteristic (e.g. educational attainment, health condition, age, employment record etc.). This would allow choosing flexibly the actual types of actions offered as the programme unfolds, and also across similar target groups (in the same "intensity band") with little prejudice to the reliability of targets. It would also prevent creaming of participants, as unit costs would be based on how much support (e.g. in terms of duration, or combined measures offered) is expected to attain a given result.

[13] Not replicated in detail here for conciseness.

[14] It is acknowledged that integrated pathways or a mix of support services are increasingly offered to individuals. However, this example might be useful whenever, even in presence of a common first step for all participants (individual profiling) in the perspective of integrated pathways, then separate budgets are allocated to different types of action. This is for instance the case of the Youth Employment Initiative in Italy.

	10,000	4,000	1,000	2,500
Unit cost[15] (EUR/participants)				

2. Assumptions per type of action

For the next programming period, the same types of action are planned for SO(i) but with 20% higher budget. The unit cost of retraining is expected to increase by 20%. The public employment service reports more referrals to trainings providing higher qualifications and have anticipated a 30% increase in the costs of their overall retraining provision. The ESF referrals, however, tend to concern more low-skilled participants so a lower increase is assumed.

- The unit cost of the mobility scheme is increased by 300 euros per participant according to a national regulation that fixes its amount (i.e. 4,000+300= 4,300 EUR/participant)
- The unit cost for job counselling is expected to decrease by 8% due to more stringent service provision protocols (i.e. 1 000 * 92%= 920 EUR/participant).
- As the non-employed population is expected to increase, the mix of services will change in favour of the two cheaper provisions: 20-40-40 percent to retraining, mobility and job counselling respectively.
-

3. Estimation: target value = Σ(type of action's budget share / type of action's unit cost)

New	Retraining	Mobility	Job counselling	Total
Budget per type of action(%)	20%	40%	40%	100%
Budget per type of action (EUR)	2,400,000	4,800,000	4,800,000	12,000,000 EUR
Unit cost (EUR/participant)	12,000	4,300	920	-
CO01+CO03 (participants)	200*	1,116.27*	5,217.39*	6,533.67 ≈6,500

*Not to be considered as target values. Only the overall total is used as a target.

With the modified individual unit costs the total target for the number of participants (CO01+CO03) is estimated at 6,500 persons.

Individual output targets per type of action are not planned. Also, the budget shares and unit costs by type of action are indicative and will be monitored only in light of the assumptions affecting the unit costs. The difference between the actual unit cost and the planned indicative cost will not automatically invalidate the original target.

CR04: participants in employment upon leaving

1. Historical average success rate
2. Estimation of success rates by type of action
3. Assumptions
4. Estimation of the target

1. Historical average success rate

In this example we assume that aggregate data on participants in employment achieved in 2014-20 come from a central database, and that the number of participants in employment is not available by

---

[15] Differences in unit costs by target groups are assumed away for simplicity. This could also happen in actual programming in case the relevant disaggregated data is not available.

type of action. The total value of CR04 is about 1,400, which approximates to a 35% success rate from a total of 4,000 participants.

2. Estimation of success rates by type of action[16]

In the PES database on participation in LMPs there are data on the individual success rates of retraining and mobility actions, but not on job-counselling as that is never provided as a stand-alone instrument. According to those data, retraining success rates are well above 50% and mobility is about 50%. After looking at the types of retraining courses provided in the ESF programme, their success rate is estimated at about 70%.

From that it follows that the job-counselling success rate is estimated to approximately 27%. ((0.7*500+0.5*500+0.26667*3000)/4000=35%.)

3. Assumptions

It is assumed that the success rates by type of action will remain similar to the current programming period. This implies assuming not only constant net effectiveness of the support offered[17] but also negligible changes to the socio-economic context and to the average profile of the target group.[18]

4. Estimation of the target

The target of CR04 equals Σ(type of action's success rate * type of action's budget share * total budget / type of action's unit cost): appr. 2100 persons.

Example 3: Target estimation based on the intensity of support offered

This example follows the same intervention logic of example 2.

Importantly, the example intends to showcase approaches to consider the change of socio-economic context and uncertainty caused by the COVID-19 pandemic in the target setting methodologies. Three sub-scenarios are discussed which formulate different assumptions on success rates and the related definition of target values.

CO01+CO03: unemployed + inactive

1. Historical unit costs
2. Assumptions per intensity of support offered, by target group
3. Estimation: target value = weighted average of number of participants in each band*intensity of support

1. Historical unit costs

In IP 8.i of the 2014-2020 programme, two main target groups have been reached (inactive and unemployed), through a range of measures aimed at bringing them closer to the labour market. Given

---

[16] If data is available on the success rates by type of action, that is the preferred option. For instance, one possibility would be to exploit existing evaluation studies (e.g. in the context of Counterfactual Impact Evaluations) which tend to start from calculating post-support employment rates typically broken down by target group/type of measure, e.g. based on micro data, administrative sources or placement surveys.

[17] This is a comparatively sound assumption, based on recent meta-analyses on the effects of ALMPs and their determinants. See for instance Card, D., Kluve, J., Weber, A., 2015. What Works? A meta analysis of recent active labour market program evaluations. IZA Discussion Paper No. 9236; and Vooren et al, 2019. The effectiveness of active labour market policies: a meta-analysis. Journal of Economic Surveys (2019) Vol. 33, No. 1, pp. 125–149. doi: 10.1111/joes.12269. Effects might also be viewed as improving given the progressive increases in capacity and quality of the delivery of tailored services.

[18] It is certainly quite difficult that these two conditions will be verified. Assumed for simplicity and to better focus on the macro-differences among the approaches.

the growing use of integrated, personalised pathways, it is likely that the individual costs differ based on the conditions of the participants.[19] We assume that this information is available to the managing authority (this might be the case of training vouchers/individual learning or training accounts are offered, or relevant SCOs applied).

Below some fictitious unit costs:

- Inactive, low skilled, young = 4000 euro (band 4)
- Inactive, medium skilled, young = 2400 euro (band 3)
- Inactive, high skilled, young = 1600 euro (band 2)
- Unemployed, low skilled, young = 2400 euro (band 3)
- Unemployed, medium skilled, young = 1600 euro (band 2)
- Unemployed, high skilled, young = 800 euro (band 1)

Thus, one can have costs per "band", that is, costs per intensity of support.

2. Assumptions per intensity of support offered, by target group

Intensity of support varies with the type of result which is pursued. If the goal is gaining a qualification, the cost might be certainly different from employment. In this example, the result pursued is employment, so the intensity of support should be attuned to such a result. Different target groups with similar distances from the labour market can be replaced flexibly in programming, so changes in the composition of a band do not necessarily affect the target.

However, there are two changes which should be taken into account.

- On the one hand, generally deteriorating LM conditions, which means that all target groups become harder to employ. This does not necessarily impact on cost per participant (the budget can remain fixed), but would impact success rates.
- On the other hand, intended changes in the selection of the "band" (i.e. people at a greater distance from the labour market become more centre-stage and more funds are channelled towards them)

However, these could be considered duly justified cases of revision, or, in any event, necessary deviations from target, hence they should not necessarily be factored in from the outset.

3. Estimation of the target

New	Band 4	Band 3	Band 2	Band 1	Total
Band's budget share	20%	40%	30%	10%	12,000,000
Unit cost	4000	2400	1600	800	
CO01+CO03	600*	2,000*	2,250*	1,500*	6,350

*Not to be considered as target values

---

[19] For instance, for the YEI in Italy a "disadvantage coefficient" was estimated econometrically by INAPP which linked the probability of becoming NEET to a range of background characteristics, including:
- Age
- Regional context
- Country of origin and language proficiency
- Labour market status 1 year before the profiling
- Educational attainment level

This determined also the intensity of support offered.

CR04

1. Historical average success rate by type of action
2. Assumptions
    a. Scenario A: detailed assumptions on changes to the socio-economic context
    b. Scenario B: fewer assumptions and revision clause
    c. Scenario C: general revision after two years
3. Estimation of the target
    a. Scenario A
    b. Scenario B
    c. Scenario C

1. Historical average success rate by target group/band

In this example, it is assumed that data is available by target group or by "band". This is the case for instance where disaggregated information is available by going back to actual ESF micro-data (participant records) or by relying upon disaggregated data on participants' success rates which were presented in evaluations or collected through placement surveys.

It is assumed that target groups in the same "band" will have similar success rates after support, so based on information on a few target groups it is possible to estimate the success rate per band. The success rate at the specific objective level is calculated as a weighted average just like in Step 3 (estimation of the target) for the target on the output indicators.

In this example, we assume a (fictitious) success rate of 40% for individuals in Band 4, 45% in band 3, 50% in band 2 and 60% in band 1, resulting in a weighted average at specific objective level of approximately 50%.

2. Assumptions

As anticipated, three scenarios are presented below, to preliminarily showcase different approaches to target setting.

a. Scenario A: detailed assumptions

- Changes in the socio-economic context
    i. Short term: success rates might decrease due to the crisis, and the effects could be heterogeneous across target groups/bands. This assumption is based on experience with the delivery of ALMPs during the 2008's crisis/a survey of the relevant literature[20]/ad-hoc surveys with employers[21]/briefing notes[22] and forecasts from international institutions (e.g. OECD/ILO)[23]. The underlying reason for such differences is that not all sectors and workers are equally resilient to lockdown measures or have comparable capacity to adapt to the new challenges of the post-pandemic economy. Thus, it is expected that, for the first two years, individuals in band 4 will see their

---

[20] By way of example see Dustmann, C, A Glitz and T Vogel (2010), "Employment, wages, and the economic cycle: Differences between immigrants and natives," *European Economic Review* 54(1): 1-17;

[21] By way of example see Adams-Prassl, A, T Boneva, M Golin and C Rauh (2020) "The large and unequal impact of COVID-19 on workers", VoxEU.org, 8 April. Available at https://voxeu.org/article/large-and-unequal-impact-covid-19-workers

[22] Gelatt, J (2020) "Immigrant Workers. Vital to the U.S. COVID-19 Response, Disproportionately Vulnerable", Migration Policy Institute, Factsheet, April.

[23] Example: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf - still ongoing

success rates decrease by 20 p.p., individuals in band 3 and 2 by 10 p.p. and individuals in band 1 by 5 p.p.. Approx. 80% of the budget will be used during the peak of the crisis, with a constant intensity of support provided (as per the estimation on the output indicators).

ii. Medium to long term: due to the economic recovery and the success rates will be 5 p.p. higher than historical values across the board for all target groups and bands. This is due to the fact that, based on current employment forecasts[24]/literature etc. labour demand will begin to grow by the end of 2021, thus creating raising opportunities to gain employment especially for those who lost their jobs only due to temporary closures and related financial distress of their employers or enterprises. [25]. However, it is assumed that only 20% of the budget remains available for this phase.

- Changes in the composition of the target group: not so relevant as there is built-in flexibility in the definition of the "bands". However, there might be increasing emphasis on individuals at a certain distance from the labour market, or a general need to increase (decrease) the intensity of support. In such cases the choice to offer more intensive support is deliberate and should be seen as duly justified motivation to revise targets.

b. Scenario B: fewer assumptions and revision clause

Although it is anticipated that there might be changes to the context likely to affect success rates, no adjustment is factored in target setting at this stage, as the extent of such changes is too uncertain, and, moreover exogenous fluctuations in the determinants of success rates might be examined separately.

An automatic revision at the end of 2023 is however foreseen if the average unemployment rate in 2021-2023 will be at least 3 p.p. higher than its 2018-2020 average.

c. Scenario C: general revision after two years

Given the strong uncertainty about the evolution of the socio-economic context caused by COVID-related shocks to economies, it is deemed inevitable that targets defined based on current knowledge and forecasts will be unreliable proxies of performance. Hence, the targets are preliminarily set based on unadjusted historical data, with a general possibility to revise them at the end of 2022.

3. Estimation of the target

a. Scenario A: detailed assumptions

The estimation of the target goes in two separate steps, as it distinguishes between the first phase (80% of the budget and participations, lower success rates) and the second phase (20% of the budget and participations, higher success rates). It can be calculated either as a weighted average of the (adjusted) success rate per each period per the number of participants in each period, or as a sum of successful participants in each band and period.

---

[24] See for instance https://ec.europa.eu/info/sites/info/files/economy-finance/ip125_en.pdf

[25] The economic shocks triggered by the unprecedented lockdown measures enforced might cause people theoretically closer to the labour market (e.g. previously employed or unemployed, but with decent levels of employability) to become unemployed or stop looking for a job. It might also mean that students with decent qualifications are discouraged from starting to look for a job, or not employed in more stable positions after work-based learning (traineeships, apprenticeships). This might drive up success rates in the medium term, due to the combination of progressively increasing employment chances and comparatively higher employability of those became temporarily unemployed or inactive due to the crisis.

In line with the assumptions above, the composition of participants in this fictitious example does not change as there is sufficient flexibility within each Band.

Phase 1 (80% of the total participations)	Band 4	Band 3	Band 2	Band 1	Total/avg
Band's number of participants	480	1,600	1,800	1,200	5,080
Adjusted Success rate	20%	35%	40%	55%	40.08%
CR04	96*	560*	720*	660*	**2,036**
Phase 2 (20% of the total participations)	Band 4	Band 3	Band 2	Band 1	Total/avg
Band's number of participants	120	400	450	300	1270
Adjusted Success rate	45%	50%	55%	65%	54.84%
CR04	54*	200*	247.5*	195*	**696,5**
Total CR04	150*	760*	967.5*	855*	**2,732.5**

*Not to be considered as target values

Hence, the total CR04 target for the entire period equals its sum for phase 1 and 2 -> 2036 + 696,.5 = 2732.5[26]

b. Scenario B: fewer assumptions and revision clause

The estimation can be made multiplying the values of CO01+CO03 in each band for their historical success rates.[27]

	Band 4	Band 3	Band 2	Band 1	Total
Band's number of participants	600	2,000	2,250	1,500	6,350
Historical Success rate	40%	45%	50%	60%	
CR04	240*	900*	1,125*	900*	**3,165**

*Not to be considered as target values

No adjustments are foreseen, but the target is liable to be revised by the end of 2023 if unemployment rates deviate significantly from 2018-2020 levels.

c. Scenario C: general revision after two years

Same as above, target preliminarily set at approx. 3165, but a general revision allowed at the end of 2022, based on clearer data.

---

[26] The corresponding final average success rate is 43%
[27] It is also possible to multiply the (weighted) average success rate for the target value of CO01+CO03. (6,350*49.84% = 3165)

Annex II - Units of measurement and reference output indicator

Target values are defined for a limited number of output and result indicators, and may be defined for both common and programme specific indicators. Output targets are always expressed as an absolute value, but result indicators can define targets that are expressed as an absolute value, or a percentage. This section discusses the choice for the term in which result indicators are expressed, and the implications of such a choice for monitoring and evaluation. Subsequently, the importance of linking reference output indicators is discussed.

Selection of measurement unit

The use of success rates of similar interventions in previous programming periods (i.e. the share of positive results among the reference population) often informs the target setting for a new programming period[28]. Such reference values can be transformed into absolute targets, or kept directly as a target. This involves an explicit choice, for which it is important to realise that using success rates as *input for* target setting is not the same as directly using success rates as *targets*.

- Success rates offer a benchmark against which the number of results of a future intervention can be estimated, informed by the estimated outputs and expected rate of success of the measure. This is essentially a quantitative estimate of the number of participants in an intervention that will reach positive results, and is expressed as an absolute value. If the linked output indicator only reaches 10% of its intended participants, it is difficult to imagine a situation where the result indicator also reaches its target.
- In the 2014-2020 period, some programmes used (historical) success rates not as input for targets, but defined these directly as a target. This type of targets are expressed as a percentage of a reference output indicator. As these targets are not expressed in absolute values, the actual achievement of the target is isolated from the number of outputs reached. If the linked output indicator only reaches 10% of its intended participants, the result target can still be met.

While the second option also permits to estimate an absolute target (provided, that the programme correctly referenced the result target to an output indicator), it is inherently different from the first. The choice to use the second alternative for an ESF OP should be primarily informed by the scope of the overarching specific objective. When a specific objective aims for instance to 'improve the quality of labour market programmes', it would be sensible to define targets as an (improved) success rate compared to a baseline set by other policies. In this specific case, success rates as a target actually inform progress towards the objective and are thus fully adequate. However, if an objective is focused on *individual results* (people in employment, in education, etc.), the success rate alone does not say much about the contribution of that intervention to the objective. This also depends on the outreach of that intervention, as measured by the related output indicators. In these cases, the use of a target expressed in absolute values is more adequate and therefore strongly recommended.

Reference output indicator

To allow a proper assessment of the scope of results achieved, it is very important that result indicators with targets expressed in percentages define a reference output indicator. This is mandatory for common result indicators, but is also strongly recommended for programme-specific result indicators with targets expressed as a percentage. Without such a link, it would not be possible

---

[28] See also separate note with schematic examples on target setting.

to calculate the target achievement of that indicator. For that reason, it is vital to ensure that result indicators measuring progress in absolute terms and targets in percentages identify a direct reference output indicator. Such a link between a result and output indicator can be encoded in the OP/AIR, allowing other stakeholders to assess the actual scope of result indicators in absolute terms, even if its targets are expressed as a percentage. This helps to establish a solid and transparent intervention logic. The importance of defining reference output indicators for each type of result indicators with targets are defined in more detail in the table below.

Type of indicator	Measurement unit for progress	Measurement unit for target	Importance of defining reference output indicator
Common indicator	Number (absolute values)	Number (absolute values)	Recommended
Common indicator	Number (absolute values)	Ratio (percentages)	Strongly recommended
Specific indicator	Number (absolute values)	Number (absolute values)	Recommended
Specific indicator	Number (absolute values)	Ratio (percentages)	Strongly recommended
Specific indicator	Ratio (percentages)	Ratio (percentages)	Strongly recommended