

**Assessment of the European Globalisation
Adjustment Fund Programme till 2013 at
the Local and Regional Level and
Recommendations for the New
Programming Perspective 2014 – 2020**

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Executive Summary

On 6 October 2011, the European Commission issued a new legislative proposal on the European Globalisation Adjustment Fund for the period 2014 – 2020¹. The European Globalisation Adjustment Fund (EGF) was set up by Regulation (EC) No 1927/2006 to demonstrate solidarity at EU level and to provide one-off, time-limited and tailor-made support to large numbers of workers made redundant within a short period of time.

According to the new proposal, the EGF shall continue not to finance passive social protection measures, but rather a number of active labour measures that form part of a coordinated package of personalised services designed to re-integrate laid-off workers into the market. Support measures can include assistance with occupational guidance, job searching, mobility support, vocational training, further education and up-skilling programmes. A maximum amount of EUR 3bn. is earmarked for the EGF for the 2014 – 2020 period.

The EGF has been rather effective in tackling local crises and in creating new opportunities for jobs especially when it is integrated with the ESF and it involves several stakeholders at local level. The main strength of the EGF is its capacity to provide intense individual support to the worker by offering an EU funding stream designed specifically to deal with rapid economic changes². Some other factors might harm the capacity of EGF to impact positively: the absence of national tools, the marginal role of regions and the delay in implementation. There are also “environmental” aspects, which might considerably limit the performance of EGF. These include low-skilled workers or a depressed local business climate.

The main changes in the new proposal are:

- a) The extension of the scope of the EGF to new categories of workers (fixed-term contracts, temporary agency, self-employment)
- b) The inclusion of the agriculture sector
- c) The simplification and speeding up of the application phase
- d) A more result-oriented approach

¹ COM(2011) 608 final.

² C. Forde, M. Stuart, R. MacKenzie and E. Wallis (2007).

Although the new proposal seems to address some of the main issues concerning the EGF's implementation, some measures of the proposal need to be revised³. In general the role of the regions still seems to be marginal and not fully exploited while the required 50% co-financing can result in a disincentive for Member States to apply to the fund. More specifically, the introduction of agriculture among the eligible sectors might pose a problem in terms of the financial balance of the support provided; finally, the more result-oriented approach risks being a threat to rather than an opportunity to enhance the effectiveness of the EGF.

³ CoR (2011).

1. Introduction

More than 36 million jobs in Europe today depend, directly or indirectly, on the EU's ability to trade with the rest of the world⁴. Increasing integration with the rest of the world economy generates gains and benefits for European consumers in terms of a wider variety of goods and services and lower prices, but the costs of adjustment in terms of employment in particular areas or sectors can sometimes be high⁵. The EGF is an instrument the EU uses to contribute additional support to help workers find a new job who have been made redundant as a result of changing global patterns or unexpected crisis. The EGF is designed to help individual workers instead of companies and it funds only active employment measures⁶ to keep workers in employment but not passive social protection measures, which are the competence of the Member States. It offers resources for job searches and mobility allowances, counselling, new ICT skills and other forms of training, and entrepreneurial support to workers who have been made redundant. The main feature of the fund is that it provides one-off, time-limited support in emergency cases.

Although complementary, the EGF functions differently from the European Social Fund (ESF), which represents the main European instrument to promote employment, social inclusion, investment in skills, education and life-long learning, as well as institutional capacity. The ESF consists of multi-annual programmes in support of strategic, long-term goals; its measures are pre-programmed and cannot be shifted to deal easily with crisis situations caused by collective redundancies. It is a permanent, well established and continuous programme for all Member States available all the time. The role played by the EGF, however, is that of a specific, emergency tool providing tailor-made support for laid-off workers. If the ESF can be considered as a sort of a "hospital" sorting out training issues and supporting people to be part of the labour market, the EGF is more like the "ambulance service" since it comes into play only when there is an urgent need to provide short-term, immediate and specific help⁷. Moreover, while the ESF also focuses on prevention by providing training and re-training to improve workers' employability, the EGF acts after the event (providing corrective measures rather than preventive).

⁴ SEC(2011) 1133 final.

⁵ For a detailed discussion on the labour market effects of offshoring, outsourcing and production relocation due to increasing world-wide economic integration see Nickell and Bell (1996), Calistri and Galbraith (2001), OECD (2005), IMF (2007), Storrie (2007) and Kirkegaard (2007).

⁶ For a detailed discussion of the impact of active policies on the labour market see Flemming (2004).

⁷ EGF Stakeholders' Conference – A Future Framework for the EGF, 25-26 January 2001, Brussels.

The role of the regions in the application procedure and in the identification of problems and needs is subordinate to that of the Member State. The initiative for an application may come from stakeholders in a redundancy case, or from the affected locality or region, or from the social partners involved, but the application can only be submitted by the Member State (relevant ministry, or the Permanent Representation to the EU of the Member State). This means that only Member States may apply. Theoretically, it is also possible for a region to be delegated to represent the Member State for the purposes of submitting an EGF application, but in any case the delegation should be documented and signed by the delegating and the receiving party⁸.

Finally, it is up to the applicant Member State to present the impact of the redundancies in the relevant area by describing the area and characteristics most relevant to the application, in particular the way in which the area is affected by the redundancies and the alternative job opportunities available or to be created in the relevant regions or areas.

In the 2007 – 2013 period, the regions had a rather small role despite the fact that the redundancies were in NUTS II regions and it was in the regions where actions and policies were implemented. In the upcoming 2014 – 2020 period, the regions could be directly involved in the management of the EGF as accredited bodies. This would mean that the regions would have an important role in the implementation, financial management, monitoring and supervision of the EGF.

1.1 Facts and Figures⁹

- From the start of operations in January 2007 up to 31 July 2011, the Commission has received 78 applications for assistance from the EGF, from 19 Member States and for a total amount of almost EUR 358m.
- The number of applications has increased over time: 8 in 2007, 5 in 2008, 29 in 2009, 29 in 2010, and 7 in 2011 (July)
- The annual budget for the 2007-2013 period was up to EUR 500m. but this amount has never been reached in any year.

⁸ See European Commission (2010) *European Globalisation Adjustment Fund – Frequently Asked Question* Employment, Social Affairs & Inclusion, February, Brussels.

⁹ COM(2008) 421 final, COM(2009) 394 final, COM(2010) 464 final and COM(2011) 466 final.

- Since the extension of the fund as a crisis instrument, the number of applications due to the crisis has represented the bulk of the demand, making up 81.5% of applications since 2009 compared with 18.5% trade-type applications.
- All cases presented in 2011 were crisis-related.
- An analysis based on the data available with the European Restructuring Monitor indicates that for the 2009 – 2010 period the EGF was able to assist about 10 % of all laid-off workers in the EU. Experience so far suggests that the reintegration rate is around 40 % after 12 months and a further positive impact can be observed over a longer period of time.
- Despite the fact that the EGF was created as an emergency tool, it takes from 8 months to 15 months (more than 11 months on average) between the application and the payment date.
- Workers' gender, age, and skill level and the type of contracts influence the impact of the EGF on the beneficiaries.

2. Lessons learnt/ Key problems from the past

This section outlines the past experience gained during the implementation of EGF measures. The first sub-section deals with the strengths or the positive aspects of the EGF. The second sub-section highlights the weaknesses, explaining the various problems encountered.

2.1 Lessons Learnt

2.1.1 Provision of intense individualised support

One of the successful features of the EGF is the provision of intense individualised support by establishing an individual connection between beneficiaries and by providing beneficiaries with a personalised plan to implement with the Public Employment Service (PES)¹⁰. Of particular relevance is the provision of tailor-made, personalised assistance and access to training¹¹.

¹⁰ GHK (2011)

¹¹ See Winter-Ebmer (2006) for the importance of an innovative redundancy-retraining project to deal with a structural crisis

Box 1. Examples of personalised activities

Examples of successful personalised activities¹² are the certification of acquired experience (Peugeot, France)¹³, personalised retraining (Renault, France)¹⁴, the longer-term support measures for those who remain unemployed after 1 year of redundancy (BenQ, Germany)¹⁵, and tailored start-up business support (Perlos, Finland)¹⁶. Sweden, for example, tested the concept of 'generation change' for workers made redundant by Volvo¹⁷. Under this innovative measure, a redundant worker was continuously mentored by an older and experienced worker seeking to hand on some valuable skills¹⁸. Germany tested the concept of continuous reflection and support in 'peer groups'. It was successfully tested for the first time in the case of workers made redundant by the mobile phone manufacturer BenQ and later proposed in all further German EGF applications.

Another innovative measure in Germany was the selection of coaches to match the needs of particular groups of laid-off workers (e.g.: coaches with a migration background for ex-workers with a migration background so as to reduce communication obstacles). In the textiles industry in Malta¹⁹, of the 672 workers who benefited from the measures co-funded by the EGF, 65.5% were in work again at the end of the implementation period (including 24 who started their own businesses)²⁰. The intervention meant that the workers affected received more personalised assistance to re-enter the labour market. Consequently, it also helped them to face fewer social and economic difficulties. Malta found occupational guidance very useful, as it enabled many workers who were unaware of job opportunities in other sectors to consider employment outside the textiles sector. Most of the workers had limited transferable skills, so the wage subsidy encouraged employers to give them job opportunities. The use of the start-up grant scheme was also considered an achievement.

¹² C. Forde, M. Stuart, R. MacKenzie and A. Panagiotakopoulos (2010).

¹³ EGF/2007/001.

¹⁴ EGF/2007/002.

¹⁵ EGF/2007/003.

¹⁶ EGF/2007/004.

¹⁷ EGF/2009/007.

¹⁸ COM(2010) 464 final.

¹⁹ EGF/2007/008.

²⁰ See footnote 18.

Many PES are actively and constantly working to increase the provision of personalised assistance to job seekers - through profiling, counselling and the development of individual action plans - but there is a significant difference between this support and that provided by PES or other nominated agencies for EGF beneficiaries²¹. First, in many national PES the ratio between counsellors and jobseekers is at best 1:150 and at worst 1:700. The EGF has in many cases helped to reduce this ratio significantly as in Germany where EGF support reduced the ratio between transfer company counsellors and beneficiaries from 1:30 to 1:50 (1:40 in the case of Nokia²²). Second, the EGF leads to a higher frequency of personal meetings: while many registered unemployed jobseekers meet their PES counsellor once a month or even less frequently, contact was much more regular and often possible at the request of the beneficiary (sometimes even twice a week). Finally, the EGF entails the availability of a nominated counsellor familiar with the individual's circumstances: although many PES strive towards a model of providing named counsellors for jobseekers, the result is often mismatched especially when the number of clients being dealt with is significant. In most cases, however, the EGF enables not only the recruitment of counsellors skilled in assisting workers but also prevents beneficiaries from feeling that they have to repeat their story and requirements to a stranger each time.

²¹ See footnote 4.

²² EGF/2009/002.

2.1.2 Provision of a package of measures and integration of EGF and ESF

It is important for workers affected by mass redundancies to increase their confidence, renew and improve their job search skills and upgrade their skills and capacities, in order to increase their chances of finding employment or to become self-employed. The EGF support measures range from job-search assistance, occupational guidance, advisory services, entrepreneurship and self-employment promotion, aid for business start-ups, through special time-limited measures, such as job search or training allowances to measures to encourage disadvantaged or older workers to remain in or return to the labour market.

Box 2. Example of package of measures

In many cases counsellors were able to refer EGF beneficiaries to a wider range of suitable measures than would otherwise have been available to PES beneficiaries. In Lithuania, for example, single measures on their own have been less successful than the receipt of a package of measures in the case of the Alytaus Textile²³. The mix of measures was very important in order to provide a nuanced response to workers with varying profiles. The strength of the EGF lay in the flexible combination of several measures.

Moreover, the package of measures provided by the EGF is very successful when it is balanced with other actions and complements them, as in the case of the EGF and the ESF, which are sometimes used to complement each other to provide both short-term and longer-term solutions²⁴.

Box 3. Examples of complementarity between the EGF and the ESF

Specific examples²⁵ of good complementarity between the ESF and the EGF are NXP Semiconductors²⁶ and Noord Holland ICT²⁷ in the Netherlands, SI/Mura²⁸ in Slovenia, Heidelberger Druckmaschinen²⁹ and Nokia in Germany, and Volvo in Sweden. Regarding the first example from the Netherlands, the complementarity lies in a specific ESF training project for workers in enterprises involved in the manufacture of semiconductors, the timing of which partially coincided with the EGF implementation period.

²³ EGF/2008/003.

²⁴ SEC(2011) 1133 final and '8th Meeting of the Contact Persons for the European Adjustment Fund (EGF)', Brussels, 20 October 2011. See also UAPME (2009).

²⁵ COM(2011) 466 final.

²⁶ EGF/2010/011.

²⁷ EGF/2010/012.

²⁸ EGF/2010/014.

²⁹ EGF/2010/018.

Regarding the second case, the redundant workers could also participate in two ESF projects in the ICT sector. Slovenia made sure that the EGF measures complemented their various ESF actions. In the example given from Germany, the EGF package of personalised services was designed to complement the actions funded by the Structural Funds and in particular ESF-certified training courses provided under the federal programme ESF-BA. In the case of Nokia the application distinguished between the EGF package and an initial package of active labour market measures, which was financed by the ESF and by national public and private co-funding³⁰. The initial package co-financed by the ESF included the creation of a transfer company (Transfergesellschaft) and measures for profiling, vocational guidance, individual counselling, placement coaching and short-term qualifications in compliance with the guidelines of the ESF Federal Employment Office. The EGF package of active labour market measures was designed to complement the ESF package described above, thereby ensuring complementarity with the other measures at national, regional and local levels. Finally, in the case of Volvo, instead of being laid off, workers were re-trained for new tasks within the company, receiving support co-funded by the ESF, while those who were laid off received assistance through the EGF coordinated package of personalised services³¹.

³⁰ See footnote 18.

³¹ See footnote 18.

2.1.3 Involvement of a wide range of partners

The success of EGF support depends on the involvement of stakeholders at all levels, including the social partners³², in initiating, designing and implementing the EGF active labour measures which, in turn, depends upon the national level redundancy measures in place. In some cases, these prescribe a role for trade unions or other employee representatives, along with local labour market agencies, in the consultation and negotiation process for redundancies. Stakeholders consulted in many of the cases considered highlighted the catalytic effect that EGF had in harnessing the support of the Public Employment Service to mobilise resources and provide special attention to particular groups of workers³³.

Box 4. Examples of a wide range of partners involved

At BenQ, the trade union and worker representatives erected a ‘solidarity tent’ at Kamp-Lintfort, which in the first 13 weeks following the closure of the site was the focus not only of political campaigns but also of practical and psychological support for affected workers³⁴. Another successful example of worker representative involvement can be found in Denmark³⁵, where the closures and the completion of outstanding orders were discussed and agreed with the workforce. Orders were completed one by one and the workforce involved left the shipyard when each ship was completed. The employer set up a new industrial estate in the grounds of the shipyard increasing new employment opportunities for some of the laid-off workers. Finally a consortium of local, regional and national stakeholders was created in order to discuss and draw up a strategy for growth opportunities in the region. On the employer involvement side, the Heijmans³⁶ case in the Netherlands is illustrative. A package of measures involving 435 targeted workers out of 570 redundancies and comprising information meetings, application training, retraining, schooling facilities in the building sector, psychological support and assistance for finding new jobs, has been coordinated and provided by the internal Mobility Centre of Heijmans NV. Moreover, the rights and obligations of Heijmans vis-à-vis the EGF managing authority have been laid down in an agreement signed by both parties³⁷.

³² UAPME (2009).

³³ SEC(2011) 1133 final and ‘8th Meeting of the Contact Persons for the European Globalisation Adjustment Fund (EGF)’, Brussels, 20 October 2011.

³⁴ See EFILWC (2009).

³⁵ EGF Stakeholders’ Conference 2 – A Future Framework for the EGF 8 March 2001, Brussels.

³⁶ EGF/2009/011.

³⁷ See footnote 35.

2.1.4 Coordination at regional level

Good cases of coordination at regional level lead to high take-up of resources and better results. The involvement of the regional authorities in the coordination process of the package of measures speeds up the reintegration pathway for each individual worker and helps with the identification of job vacancies through direct contacts with enterprises based in the regions concerned. Moreover, coordination at regional level guarantees that the contacts established with the enterprises can be maintained ensuring continuity over time for job-seeking. In cases where EGF support is delivered by external agencies, a particular added advantage is their regional and local expertise and contacts with employers and their explicit role in sourcing vacancies and providing targeted matching services to employers.

Box 5. Example of coordination at regional level

A good example of coordination at regional level is represented by the automotive industry in Spain in the two regions of Castilla y Leon and Aragon³⁸. The involvement in the process of the Government of Aragon together with the Instituto Aragonès de Empleo has ensured the support of a specialised team for reintegration, guidance and preparation of personal pathways and generic and specific training³⁹. In the textile sector in Portugal⁴⁰, the national authorities recognised the importance of the full involvement of the regional centres in increasing the vocational skills and thus employability of the beneficiaries by offering vocational training and training grants, assistance for insertion, entrepreneurship support and personal employment plans⁴¹.

³⁸ EGF/2008/004.

³⁹ See footnote 7.

⁴⁰ EGF/2009/001.

⁴¹ See footnote 7.

2.2 Key Problems

2.2.1 Inadequate scope for regional expertise

The potential of local and regional authorities is not fully exploited by Member States in the use of the EGF. The full involvement of regional authorities in the application process and in the design and delivery of the coordinated package of measures for workers is a fundamental added advantage. This is particularly true in cases where EGF support is delivered by external agencies, which can fully exploit their regional and local expertise and contacts with employers and their explicit role in sourcing vacancies and providing targeted matching services to employers. Some stakeholders⁴² argue that the EGF is inconsistent with the idea of subsidiarity, for the reason that the final decisions are taken by decision-makers at the highest institutional level of the EU. The decision to finance measures for laid-off workers should be instead taken as quickly as possible at the lowest level by the institutions which are familiar with the relevant situation.

Box 6. Examples of regional expertise involvement

The good practice demonstrated by the Odense Steel Shipyard⁴³ in Denmark is a clear example of the importance of the involvement of regions⁴⁴. The company management decided its closure in August 2009 and involved the trade unions immediately. They reached an amicable agreement - as each ship was completed, the workers would be made redundant and helped under the EGF. At the same time the company held talks with the regional authority to create a new industrial estate in the grounds of the shipyard and started to retrain the laid-off workers to take up the new jobs to be created. The region concerned set up a consortium of national, regional and local stakeholders to identify growth opportunities in the area and develop training programmes targeting these jobs. In the case of Odense, working together not only provided counselling and training solutions for affected workers, but also boosted economic investment in the affected regions and offered more practical solidarity and visibility to their cause. In the textile sector in Catalonia⁴⁵ the Spanish authorities reported that the EGF contribution had allowed them to provide intensive, tailor-made measures for the affected workers, for which other funds were less suitable⁴⁶. Most of the participating workers showed a high commitment to the measures, and the general opinion of participants was very positive. The management model included the use of an extensive network

⁴² RG (2011).

⁴³ EGF/2010/025.

⁴⁴ See footnote 35.

⁴⁵ EGF/2008/005.

⁴⁶ See footnote 25.

of institutions, and the participation of local authorities was considered a key element for successful implementation of the measures.

2.2.2 Low-skilled workers

One of the key problems regards the nature of the beneficiary group. Although restructuring and associated job losses clearly have a significant financial and psychological impact on all workers, it is widely acknowledged that the detrimental effect of job losses is exacerbated for certain groups who find reintegration into the labour market more difficult⁴⁷. This is particularly true for low-skilled or unskilled workers⁴⁸, single mothers and women with caring responsibilities, as well as older workers. The danger and likelihood of a prolonged period of unemployment following redundancy is much greater for individuals from these groups than for highly skilled workers and those with professional qualifications in areas with shortages of labour.

Box 7. Examples of the effect of the EGF on unskilled and older workers

In the case of BenQ, workers with academic and professional qualifications were much easier to place than unskilled workers, older workers or women. Another illustrative example is represented by the textile industry in northern and central Portugal. A large number of workers over 55 years of age and 92% of the workers had not completed secondary education. Of the 720 workers – out of the 1504 eligible workers – taking part in the EGF measures only 30 workers found new jobs, a further 9 were in training at the end of the implementation phase and 681 remained unemployed or inactive with little prospect of finding a new job⁴⁹. The Perlos case in Finland underlines some interesting features⁵⁰. First, men were nearly three times more likely to find a new job than women while women were three times more likely to take up training than men. Second, white-collar workers were nearly three times more likely to find employment than blue-collar workers, while blue-collar workers were four times more likely to take up training than white-collar workers; third, those who had worked four to nine years at Perlos found work more easily than other categories of employees, while employees with 10 or more years of experience were twice as likely to find work than workers with less than four years of experience; fourth, employees under the age of 35 were nearly three times more likely to be employed than workers aged 50 or over; finally, workers with fixed-term contracts have been particularly affected by

⁴⁷ See footnote 35.

⁴⁸ See OECD (2004) and Landesmann, Stehrer and Leitner (2007).

⁴⁹ See footnote 7.

⁵⁰ See footnote 35.

the closure with nearly 60% of employees on fixed contracts accepting a reduction in salary. By contrast, the textile sector in Piedmont⁵¹ is very illustrative⁵². The measures focussed in particular on incentives for women and workers older than 55 to participate and not leave the labour market. A high percentage of workers over 40 were able to find new employment, and the rate of re-employment of older workers achieved by these measures was especially high for the area. Thanks to re-training, workers were moved from the textile sector to other, more competitive sectors of production.

2.2.3 Local economic climate

An additional problem concerns the local economic climate especially when the company closure relates to a dominant local employer in a declining sector, with relatively low levels of employment in growing sectors. Many of the local labour markets are characterised as operating in a state of low- skill equilibrium – with low demand for high skilled labour driving low supply (or vice-versa). Moreover, in some cases beneficiaries reported a reluctance to accept a job with lower wages than their previous employment.

Box 8. Example of how local economic climate can affect EGF support

Again, the Perlos case is illustrative⁵³. It has been estimated that 30–40 new companies operating in retail, service, maintenance and technical fields were established by former Perlos employees. A small number of companies – for example, Kaptas Oy – were also set up by former employees on the premises of the Joensuu factory to continue some of the services provided by Perlos. The company supported this form of new job creation at the Joensuu site by offering discounts on rent to former company employees. These new companies proved to be an important source of jobs for many workers who were affected by the company closure with more than 10% of those who left Perlos voluntarily or involuntarily during the spring of 2007 finding employment in one of these new companies. Around 5% of workers returned to work for their previous employer – that is, their employer prior to working at Perlos. Among former Perlos employees, over a third of them (38%) had to accept a new job that paid less than their job at Perlos. Some 30% of the workers saw an increase in their salary in their new job and just under 32% saw no significant change in terms of remuneration.

⁵¹ EGF/2007/006.

⁵² See footnote 18.

⁵³ See footnote 35.

2.2.4 National-level redundancy regulation

Some cases point to the potential complementarities between EGF funding and activities funded at national level. The EGF focused on the post-redundancy period, but in some of the successful EGF applications, these activities had been preceded by a range of other active labour market measures, both in the lead up to and the period following redundancies. A high degree of national level redundancy regulation (particularly in relation to consultation with social partners and the establishment of a social plan in the pre-redundancy period) is important to successfully mobilising resources for an EGF application. In the absence of such support at national level, the danger is that the EGF will be a ‘standalone’ initiative, focused narrowly on the post-redundancy ‘field’ of intervention⁵⁴.

Box 9. Examples of complementarity between the EGF and national level redundancy regulations

A good example of the potential complementarities between the EGF and national-level support can be seen in the BenQ case in Germany. An initial package of active labour market measures was financed by the national authorities and Siemens AG, centring on the establishment of a ‘transfer company’ following the insolvency of BenQ’s German subsidiaries. The scope of this transfer company’s activities and the focus of the personalised measures was negotiated via the works council in the firm. The EGF assistance provided additional funding to support some of the measures undertaken in the transfer company and provided further funds for other support measures, once the transfer company was wound up after a year. By contrast, the lack of national level legislation requiring meaningful consultation with social partners prior to redundancy might explain the lack of applications from the UK, despite the large number of collective redundancies involving 500 or more workers in this country⁵⁵.

⁵⁴ See footnote 12.

⁵⁵ See footnote 12.

2.2.5 Delay in applications

The fund is to act as an emergency, short-term and immediate instrument. However, the Commission has outlined that the EGF approval process⁵⁶ can last about 26–31 weeks. This wait, coupled with the time taken by the negotiation period to confirm the exact number and profile of laid-off workers and the time taken to gather information on the application form, means that the whole application period can last from 8 months to 15 months (more than 11 months on average) between the application and the payment date. Of the total period of eleven months, about three months are spent on procedures (translations, Inter Service Consultations, etc.). Since early intervention is vital to achieve positive and sustainable outcomes for laid-off workers, the delay in applications being approved is noted in a number of cases as a significant challenge, which can negatively impact on outcomes for beneficiaries. In many cases, because of constraints on Member States' finances, Member States are reluctant to start and pre-finance the active labour market measures in the absence of a confirmation by the Commission on the eligibility of the case. Where national authorities were unable to start the programme with their own funding mechanisms, this led to implementation periods becoming compressed, making it difficult to provide significant measures particularly with regard to training.

Box 10. Examples of delays in applications

In the case of Perlos, the process took 11 months⁵⁷. The direct implication of this delay is that national authorities had to plan and even implement various measures even before a decision was reached on funding. This forced authorities at national, regional and local level to take an obvious financial risk. In the case of Perlos, the authorities received encouragement from the Commission at an early stage, which gave them the confidence to make a start on measures and expect that the official decision would also be a positive one. Another case is represented by Catalonia where 92% of laid-off workers were either unemployed or inactive at the end of the implementation period⁵⁸. The low reintegration rate needs to be seen in the context of the region's weak employment market as a result of the financial and economic crisis and also against the background of the late arrival of the EGF funds. Owing to delays

⁵⁶ The arrangements are covered under point 28 of the Inter-institutional Agreement (OJ C 139, 14.6.2006, p. 1) between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management. EGF applications are funded through unspent margins or cancelled commitments from the previous years. For each application the Commission has to make a proposal to use the EGF. Every application submitted by a Member State requires an in-depth assessment by the Commission, followed by a proposal for a decision of the European Parliament and of the Council. After the decision is adopted by both arms of the Budgetary Authority, the Commission takes a financing decision, which allows it to pay out the approved contribution to the applicant Member State.

⁵⁷ See footnote 35.

⁵⁸ See footnote 25.

in releasing the EU funds, Spain started implementing the first set of measures using its own resources. As a major part of the planned measures could not be launched until the final months of the EGF implementation period, Spain also decided to continue the personalised services for four extra months at its own expense. The additional measures after the EGF implementation period allowed Spain to assist a further 387 laid-off workers (out of the 1100 initially targeted). Half a year after the EGF implementation period, the rate of reintegration into work was significantly higher than directly upon completion of the EGF project. Finally, the speed of the entire process has been fundamental for the success of the project in the case of Heijmans in the Netherlands. One of the success factors in this case was the early and swift involvement of the company, which found a solution for 90% of the 567 targeted redundant workers within a year by starting its support actions from the moment it made them redundant (it did not wait for the notice period to finish, which for certain workers was as long as 30 weeks) and by involving the Public Employment Services at an early stage.

3. Changes in the new framework

In its proposal for the new regulation, the Commission wishes to revise the EGF also in the light of the scale and the speed of development of the financial and economic crisis since 2008, which has pushed a larger number of Member States to apply for the EGF. The Commission intends to introduce the following main proposals⁵⁹.

1. Coordination with EU 2020 strategy. The EGF is in line with the objectives of the Europe 2020 strategy, since it helps enable the Union to emerge stronger from the crisis and to gear its economy towards smart, sustainable and inclusive growth, accompanied by a high level of employment, productivity and social cohesion. In its Communication 'Europe 2020– A strategy for smart, sustainable and inclusive growth'⁶⁰, the Commission highlights the role of the EGF under the flagship initiative 'An industrial policy in the globalisation era', in particular with a view to quick redeployment of skills to emerging high-growth sectors and markets.

This linkage could be particularly strategic for the **regions** since they can coordinate the EU's existing tools more effectively (ERDF, ESF, EAFRD new EU flagship initiatives, EAFRD). Since the role of regions is limited in the direct application and implementation of EGF, the potential synergies can be limited and potential overlapping is possible.

2. Result-oriented approach (Art. 1). The new proposal embodied one of the key messages for the 2014 – 2020 period: expenditure at Union level should be result-oriented. The Member States shall set the target that at least 50% of workers assisted through the EGF should find a new and stable job after 12 months. In order to enable the Commission to monitor whether Member States are successfully striving towards this target, Member States will present an interim report on the implementation of EGF support after 15 months (Art. 18). The “result-oriented” approach represents a risk for the **regions** whether they are actively involved or not. In fact, there is the real possibility that rigid application can deprive the territories of precious financial resources during an acute economic crisis (see Chapter 4 for further discussion).

3. Agriculture (Art. 2 and Art. 6). The intention of the Commission is to also extend the EGF to the agriculture sector, by including farmers among the categories of workers, which benefit from the fund. Ex-ante information about

⁵⁹ See footnote 1.

⁶⁰ COM(2010) 2020 final.

the sectors and/or products likely to be affected by increased imports as a direct result of trade agreements will be provided in the analysis carried out by the Commission departments for the trade negotiations. Once the trade agreement is initialled, the Commission departments will check once again the sectors or products for which a substantial increase in Union imports and a significant drop in prices are expected and will assess the likely effect on sectoral income. On this basis, the Commission would designate agricultural sectors or products and, where relevant, regions as eligible for possible EGF support.

In principle the extension of the EGF's activities to cover farmers means more resources available to the **regions**. However, in order to make it really effective the EGF shall also cover the whole of the supply chain linked to agriculture, especially the food processing industry. Furthermore, budgetary issues are also to be considered as the new MFF proposal is earmarking up to EUR 2.5bn. of the EGF's total budget of EUR 3bn. to be used for agriculture. The legal, policy and budgetary consequences of this extension of EGF activities need to be further assessed. This would also cover aspects such as the triggering mechanism and the consistency and complementarity with the CAP in general and with rural development measures in particular where the regions are often the policy owner.

4. Notion of ‘workers’ (Art 3 and Art. 6). In order to ensure that EGF support is available to workers independently of their contract of employment or employment relationship, the Commission intends to extend the notion of 'workers' in order to include not only workers with contracts of employment of indefinite duration but also workers with fixed-term contracts, temporary agency workers and owner-managers of micro, small and medium-sized enterprises and self-employed workers.

This is very positive for the **regions**. Greater eligibility for the EGF would bring each EGF intervention closer to a critical mass in terms of targeted workers. By eliminating the current discrimination amongst laid-off workers, the EGF would further demonstrate the EU's solidarity towards a larger number of workers. The potential eligible target group of the fund would increase by approximately 33.3 million workers as 13.5 % of the EU's working population in 2009 were workers with fixed-term contracts and 1.5 % were temporary agency workers⁶¹. In addition, this option would enable the EGF to provide assistance to a category of workers – temporary employees – who face the most precarious living conditions and need to adapt themselves very rapidly to the labour demand from one job to another.

⁶¹ See ‘Employment in Europe 2009’ and ‘Employment in Europe 2010’.

5. Simplification of procedures (Art. 8 and Art. 16). The EGF's effectiveness has suffered from the length and procedural requirements of the decision-making process. The Commission aims to simplify the procedures and shorten as much as possible the time lag between the date of application for EGF support and the date of payment. Member States should strive to submit a complete application as soon as possible once the relevant criteria are met – this will make the provision of additional information an exception; the Commission should assess and conclude on eligibility soon after the submission of a complete application; the budgetary authority should swiftly take its decision on using EGF funding.

In the case that **regions** are accredited, the simplification might decrease their administrative costs and burdens in the application procedure. In the implementation phase, however, there are new reporting and monitoring tasks to carry out.

6. Co-funding rates (Art. 13). The Commission intends to modulate the co-funding rate, with a 50 % contribution to the cost of the package and its implementation as the norm, and the possibility to raise this rate to 65 % in the case of applications submitted by those Member States on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds.

Since the onset of the current financial crisis, this has in some cases created obstacles for applications in several Member States and indirectly in many **regions**. As a matter of fact, for certain countries and regions the EGF is currently more expensive than the ESF as they can benefit from up to 85% of ESF financing compared to the modulated 65% of the EGF.

4. Recommendations

4.1 General Recommendations

There are four main general recommendations the EC should consider in order to enhance the effectiveness of the EGF and speed up the intervention process.

1. Simplification of the procedures

Procedures should be further simplified in order to reduce the administrative burdens and costs in the different phases of EGF implementation:

a) *Application*: there is still room to simplify the application form itself, and primarily the financial plan (e.g. by means of broader aggregates with planned support instruments).

b) *Reporting and monitoring*: some of the new requirements aimed at enhancing the effectiveness of the EGF may produce greater administrative burdens and costs for the implementing authorities. For instance, some of the items of the interim report (Art. 18) are already provided with the application (Art. 8) or will simply anticipate the more accurate information of the final report without a clear added value.

c) *Controls and audits*: the system of control, as it happens in the Structural Funds, conducted at the national level, is duplicated by the one carried out by the competent authorities of the EU institutions. This is an additional burden for the accredited body.

2. Local and regional authority involvement

The cases analysed demonstrate that when local and regional authorities are fully involved, EGF intervention is more successful. The potential of the local and regional authorities should be fully exploited by Member States in the use of the EGF and these authorities must be fully involved in the application process and in the design and delivery of the coordinated package of measures for the workers in question (see more in Sub-section 4.2).

3. Extension to agriculture

The integration of the agriculture sector generates a number of issues:

- a) The maximum of EUR 2.5bn., out of the total budget of EUR 3bn., for the agricultural sector seems unbalanced⁶². It is quite obvious that this will provoke tension and conflicts in the allocation of the resources.
- b) The proposal creates two parallel EGFs, one for the agricultural sector and another for the remaining sectors. Since this produces different criteria, application procedures and management and financial control arrangements, additional difficulties and potential misunderstandings are possible.
- c) Finally, the EGF for the agricultural sector should support workers and suppliers throughout the food processing supply chain affected by trade agreements.

Taking into consideration the above points, it seems more practicable to have two different financial tools, with their own budget, procedure and targets.

4. Result-oriented approach and evaluation

The inclusion of the target of a minimum of 50% of workers in employment within 12 months does not sound convincing. The system as a whole is not clearly defined. What are the consequences for not achieving the target? What are the margins? How are external conditions taken in account? If the approach is considered as an effort to mirror the performance reserve proposed for the 2014-2020 Structural Funds⁶³, it should be fine-tuned more effectively. In particular, the following should be clearly explained:

- a) where the targets are to be set and under which conditions (in the application?).
- b) when the Commission will assess the performance (when receiving the final report – Art. 18 – or when determining the final payment – Art. 16?).
- c) what the consequences are for the Member States in the case of missed targets? It seems, even if it is not spelt out explicitly in the proposal, that the Commission can require the Member States to reimburse funds (Art. 22). If this is confirmed, there will genuinely be an excessive risk of undermining the effectiveness of the

⁶² See COM(2011) 608 final – Point (4), Budget Implication and Point (9).

⁶³ See COM(2011) 615 final, Art. 18 and Art. 20.

EGF. On the one hand, it can have a negative influence on the decision of Member States to apply for the EGF. On the other hand, rigid application might compromise the effects on the ground by depriving resources when they are most needed.

Moreover, evidence shows that there has been a wide variance in the percentage of workers re-integrated and that in many cases the aim of getting at least half of workers back into work has been far from reached. Time also plays an important role. It cannot be expected that all the effects of the intervention can be displayed within 12 months. In addition, in many cases there are less tangible outcomes for beneficiaries not considered in the proposed revision such as increased confidence, renewing and improving their job search skills, and upgrading their skills and capacities, which make it more likely for them to find employment in the future.

Apart from sanctions and awards, a true result-oriented approach is based on a large and open discussion on the real outcomes and impact of intervention based on data and information. Until now, apart from the reports of the Commission or the Member States, there are no such kinds of exercise. It will be useful to encourage the Member States and/or the accredited body to start their own exercise of independent evaluation by involving stakeholders and relevant actors in the field. This will enhance a common path of learning and capacity-building, which seems to be missing.

4.2 Specific Recommendations

This sub-section elaborates on the specific recommendations for the proposed revision of the EGF Regulation for the 2014-2020 period and a proposal for a new formulation.

1. Technical Assistance expenditure before implementing measures for workers

<p>Article 7.3 –Eligible actions</p> <p>At the initiative of the applicant Member State, a financial contribution may be made for the preparatory, management, information and publicity, control and reporting activities.</p>	<p><i>New proposed formulation</i></p> <p><i>At the initiative of the applicant Member State, a financial contribution may be made for <u>technical assistance</u>: the preparatory, management, information and publicity, control and reporting activities <u>including costs for the staff coordinating the support. The amount of the EGF allocated to technical assistance shall be limited to 4% of the total amount of the contribution.</u></i></p>
<p>Rationale: the proposal provides, among the eligible actions (Art. 7.3), for costs associated with preparatory, management, information and publicity, control and reporting activities of authorities implementing EGF applications. However, it is not clear if the expenditures for the staff responsible for coordinating activities are also included. Moreover, it will be useful to set a maximum threshold of 4% of the EGF contribution to a single measure (the same available for operational programmes under the new Structural Fund proposal – Art. 109).</p>	

2. Co-funding rates

<p>Article 13.1 – Determination of financial contribution [...] The amount may not exceed 50% of the total of the estimated costs referred to in Article 8(2)(e) or 65% of these costs in the case of applications submitted by a Member State on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds.</p>	<p><i>New proposed formulation</i> <i>The amount may not exceed <u>60%</u> of the total of the estimated costs referred to in Article 8(2)(e) or <u>75%</u> of these costs in the case of applications submitted by a Member State on the territory of which at least one region at NUTS II level is a <u>“less developed” region eligible under the Structural Funds.</u></i></p>
<p>Rationale: the co-financing rate does not make the EGF particularly attractive for Member States. For the Member States with more financial resources, the gains of the EGF might not be worthwhile in comparison with the administrative burden or costs. For the Member States with “less developed regions”, however, the EGF might not be advantageous if compared with the ESF. Thus it is suggested to increase the co-financing rate at least by an additional 10%.</p>	

3. Natural disaster

<p>Article 4.2– Intervention criteria In small labour markets or in exceptional circumstances, where duly substantiated by the applicant Member State, an application for a financial contribution under this Article may be considered admissible even if the criteria laid down in points (a) or (b) of paragraph 1 are not entirely met, when redundancies have a serious impact on employment and the local economy.</p>	<p><i>New proposed formulation</i> <i>In small labour markets or in exceptional circumstances <u>such as natural disasters</u>, where duly substantiated by the applicant Member State, an application for a financial contribution under this Article may be considered admissible even if the criteria laid down in points (a) or (b) of paragraph 1 are not entirely met, when redundancies have a serious impact on employment and the local economy.</i></p>
<p>Rationale: in the explanatory memorandum of the proposal natural disasters are mentioned among the potential reasons to justify use of the EGF. This provision seems to be very important not least given that potential economic crises due to natural disaster are, unfortunately, likely to increase because of climate change. Thus it will be worthwhile to include explicitly natural disasters among the exceptional circumstances stated in Art. 4.2.</p>	

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