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REPORT FROM THE COMMISSION

**Report from the Commission on the mid-term evaluation of the European Globalisation
Adjustment Fund (EGF)**

{SWD(2018) 192 final}

Background

The European Globalisation Adjustment Fund (EGF) was set up 10 years ago with the objective to show solidarity with, and provide support to, workers made redundant as a result of major structural changes in world trade patterns due to globalisation. The scope set out in the initial EGF Regulation (EC) No 1927/2006 was broadened in 2009 by Regulation (EC) No 546/2009 to also include redundancies that are a result of the global financial and economic crisis. The EGF co-finances measures implemented by the Member States to help redundant workers re-integrate into the job market when their dismissal has had a significant impact on the economy, especially on the employment levels in a region or in a sector. A derogation clause in Article 6(2) of the current Regulation (EU) No 1309/2013¹ (to be referred to hereafter as "the EGF Regulation") allows Member States facing high youth unemployment rates to include young people 'not in education, employment, or training (NEET)' in EGF applications until the end of 2017².

Scope of the mid-term evaluation

In compliance with Article 20 of the EGF Regulation, the Commission carried out this mid-term evaluation to assess how and to what extent the EGF achieves its objectives.

The mid-term evaluation covers all 29 EGF cases submitted in 2014 and 2015³. The cases, concerning 10 different Member States, cover 21 economic sectors, with the automotive sector (four cases) and retail sector (three cases) accounting for the most EGF applications over this time period. The number of EGF applications has fallen due to economic recovery, reducing the data available for analysis.

The effectiveness, sustainability, efficiency, coherence, relevance and EU added value of the results achieved were assessed. This goes beyond the requirements set out in the EGF Regulation to assess effectiveness and sustainability, allowing for a comprehensive assessment to be carried out at instrument and case levels⁴.

The mid-term evaluation is presented in the form of a Staff Working Document (SWD). The evaluation's SWD is primarily based on an external contractor's evaluation study which was accepted by DG EMPL in December 2016. Further evidence for the SWD was gathered and analysed from previous reports, evaluations, and the general experience of managing the EGF.

In compliance with Article 20(1)(a) of the EGF Regulation, the present report summarizes the main results to the EU Institutions and bodies and to social partners. The results of the

¹ [Regulation \(EU\) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund \(2014-2020\) and repealing Regulation \(EC\) No 1927/2006.](#)

² Extension of derogation clause currently under review.

³ Data on cases submitted in 2016 are available in the EGF Biennial Report, [COM\(2017\)636 final](#).

⁴ The evaluation is based on the European Commission's Better Regulation Guidelines (BRG) [COM\(2015\)215 final](#). The BRG had been introduced in 2015 as an integrated approach covering the whole policy cycle aiming to improve the quality of the design of EU policies and laws so that they achieve their objectives at minimum cost. Regarding evaluations, besides setting an extended framework of evaluation criteria to be assessed, the BRG also call for extensive stakeholder consultations. The Commission consulted as widely as possible in order to ensure that the general public interest of the EU - as opposed to special interests of a narrow range of stakeholder groups - is well reflected in the future design of the EGF, in line with the BRG.

evaluation shall also contribute to developing the future design and policy orientation of the EGF.

Main conclusions

The early timing of the EGF mid-term evaluation allowed for only limited information and experience from the current period. Furthermore, the economic improvement has led to a fall in the number of EGF applications, further reducing available evidence. The results of the evaluation have to be taken with caution, due to the limited robustness of data available, despite the Commission's efforts to evaluate as broadly as possible and consult as widely as possible.

On *organisational learning*, an important lesson learned during this exercise is that the timing of the evaluation as set out in the EGF Regulation was too early. Future initiatives should be allowed to advance far enough in the implementation cycle so that ample evidence can be collected and analysed and evaluations should therefore be scheduled accordingly.

On the *effectiveness* of the EGF, the re-integration rate of redundant workers into the job market improved compared to the previous funding period (from 49 % to 56 %). However, evidence suggests that the re-integration rates are very case specific, depending on, for example, the specific economic situation in the area concerned. It is therefore not only difficult to compare re-integration rates over cases, but also to find suitable comparators of similar measures. In order to overcome this obstacle it is highly recommended that Member States develop case-specific targets.

The mobilisation of assistance offered to redundant workers can either be justified by showing that redundancies occurred as a result of 'globalisation' or the 'financial and economic crisis'. However, neither of these two terms has been defined in the EGF Regulation. In general, the lack of definitions can be perceived as offering a certain flexibility, but also as leaving grey areas of uncertainty. Finding the right evidence to justify a case is a major challenge and frequently keeps Member States from applying. This is also due to the fact that it is often not possible to identify and single out the decisive factor that triggered a restructuring event.

Even though redundancy cases under the general threshold of 500 workers made redundant could be eligible under a derogation clause, Member States are not certain about how to show that redundancies are likely to have a significant impact on the economy, especially on the employment levels, as this impact is also not further defined by the Regulation. It seems to be very important that the significant impact be defined more clearly, for example by developing specific indicators or a scorecard that would help analyse the impact.

Administrative and financial capacity problems of national authorities during both the application and implementation phases are a further obstacle for Member States when deciding on a possible application. The problems primarily relate to the non-availability of co-funding of the assistance granted, and the insufficient staffing of the authorities dealing with the EGF. This is particularly true when there is no or little experience with the use of EGF, or with restructuring assistance in general.

A decisive factor behind the EGF being less used by the 13 Member States that joined the EU since 2004 (EU-13), is the countries' industrial structure. The loss of jobs due to structural change caused by trade-related globalisation is less prevalent in the EU-13.

EGF measures are offered on top of regular national measures and/or intensify them. No displacement effects were observed at case level.

The help offered by the EGF would otherwise not have been available. This shows the complementarity and additionality of EGF measures.

EGF assistance also removes barriers to participating in national or EGF measures, by offering additional services such as travel assistance or childcare facilities.

Regarding the NEETs derogation, Member States concerned showed a great interest in using it, except Spain. However, in total, the derogation was used only in nine cases in three different Member States. Still, wherever it has been used, the help has been taken up to a very large extent by the young people targeted, help they would not otherwise have received.

In a few cases, the evaluation highlighted certain problems in ensuring the timely delivery of monitoring data. Should this difficulty persist, the Commission would need to consider taking appropriate measures.

On a more general note, the limited monitoring requirements set out in the EGF Regulation are an issue and an obstacle to carrying out a more thorough analysis.

On the *sustainability* of results, since the implementation cycle was not advanced enough and the evaluation could therefore only cover a two-year time-span (applications submitted in 2014 and 2015), no robust data is available. General employability improved due to the upgrading and updating of skills. At an individual level it was observed that beneficiaries developed higher self-esteem, which was likely to result in a more proactive approach to job seeking.

At an institutional level, the use of EGF assistance fosters the development of a general delivery mechanism of restructuring assistance in Member States with little experience in dealing with mass redundancies. In Member States that have a lot of experience in this issue and that have delivery mechanisms in place, the EGF serves as a tool to test innovative measures, which could later be incorporated into regular assistance.

As for the *efficiency* of the assistance mobilised, the length of procedures during the decision-making process has still been criticised despite the substantial shortening of the timing and the stricter deadlines for Commission and Member States. The duration of the application procedure has been limited and now averages around 200 days, down from an average of about 300 days in the former programming period.

In half of the cases Member States express a positive opinion on the guidance received from the European Commission during the application phase.

More efforts are needed to ensure the *coherence* of funding. While at case level, no overlaps with other EU or national funding could be identified, there is scope to better align the EGF and the European Social Fund (ESF). The EGF was designed to offer measures that

complement other instruments such as the ESF. An integrated approach can at best be observed in the interplay of national funding and EGF. However, Member States currently do not design strategic human capital investment packages into which they could integrate EGF assistance when faced with major restructuring events. In addition, the EGF could be better coordinated with the recommendations set out in the EU Quality Framework for anticipation of change and restructuring (QFR).

As for the *relevance* of EGF funding, there are indications that the EGF is an important instrument for developing human capital. Stakeholders, particularly those with experience of putting EGF measures into practice questioned whether the EGF was the right channel to provide assistance to NEETs. To a far lesser but still significant degree, the crisis criterion was regarded as being no longer relevant. In light of the changes in how globalisation works, the increasing interconnectedness of world economies and increasing development of global value chains are likely to further increase the relevance of the globalisation criterion, but will also make it harder to prove that redundancies were actually caused by globalisation. Considering the difficulties in providing evidence to back-up applications, it is clear that the EGF could be mobilised far quicker if less documentation was necessary. The EGF would then better function as an emergency relief instrument.

This would also need to be seen in the light of the EGF's scope which covers globalisation and the financial crisis, but no other major economic developments. Workers made redundant due to other reasons, for example automation, face very similar challenges, and outnumber those made redundant due to globalisation. If the scope was widened to cover any type of restructuring event that causes a significant adverse impact, the fund would be fit to respond to any developments. Therefore, arguing that these restructuring events should be covered by the EGF's scope would no longer be necessary.

The evaluation found that the EGF generated *EU added value*. This is particularly true in terms of its volume effects, meaning that EGF assistance not only increases the number and variety of services offered, but also their level of intensity. Moreover, EGF interventions have high visibility and demonstrate the EU added value of the intervention directly to the general public.

Implications for future policy design

The mid-term evaluation shows that the EGF is attaining its goals to contribute to the Europe 2020 strategy priority of inclusive growth. This is achieved by showing solidarity with and supporting workers made redundant as a result of globalisation and the financial and economic crisis. There is common understanding and substantiated evidence that this help is useful, and if the EGF did not exist this help would not have otherwise been offered.

However, the design of the EGF needs improving. Several challenges could be tackled for the future, especially in light of the post-2020 debates.

On the *scope*

Evidence collected during the stakeholder consultations conducted in the course of the evaluation work shows that the EGF's design requires revision or further definition, such as its exact scope and the criteria that trigger its use. In line with the subsidiarity principle, restructuring events must have a significant impact on the economy and the labour market in

order to justify mobilising of EGF assistance. However, the notion of "significant impact" is not clearly defined. Especially for smaller redundancies below the usual threshold of 500 workers made redundant, in rural areas they could well be eligible under the derogation clause specified in Article 4(2) of the EGF Regulation, for example, but Member States are not sure of how to evidence the significant impact. It seems important to define a clear indicator related to employment and social effects. This matters especially as value chains become more integrated and less localised, and as SMEs make up the largest share of businesses in many Member States.

The terms globalisation and crisis are not clearly defined either, and Member States are often ambiguous under which criterion they should submit an application. Identifying what actually triggered a redundancy event to see if the event could qualify as a potential application, and evidencing it in an application is regularly seen as one of the main obstacles for a Member State to apply. In the light of these difficulties, and considering that more jobs are lost due to technological change (in these cases redundant workers face the same challenges as those made redundant because of globalisation, as their skills become outdated or obsolete), a possible solution could be to include within its scope all large-scale redundancy events that cause a significant impact. This would lead to a more balanced use of the EGF, extending its potential to the EU-13 Member States. This would reduce the burden of having to provide evidence for an application to prove that job losses were caused by globalisation. As this is also one of the two most time-consuming steps during the application phase, this simplification would speed up the mobilisation of EGF assistance by a few weeks. This would also offer more possibilities for smaller Member States to apply for assistance.

On monitoring and reporting

In order to better analyse the *effectiveness* of the EGF, Member States should be required to collect more detailed monitoring data, especially regarding the category of workers (professional and educational background), their employment status and the type of employment found.

Capacity to apply and implement EGF cases

The main reason that keeps Member States that would have had a potential EGF case from applying are *financial and institutional capacity* problems. On the one hand, it could simply be a lack of manpower – Member States currently can ask for Technical Assistance only if they implement an EGF case. Since redundancies can happen unexpectedly, it would be important that Member States are ready to react immediately and can submit an application without any delays. Furthermore, in certain Member States, more profound institutional capacity building efforts seem necessary in order to ensure an efficient and effective implementation of EGF cases. Therefore, a permanent Technical Assistance budget could help ensure a constant capacity building in the Member States. This is the case in Greece, for example, where authorities are confronted with the challenge of implementing various EGF cases, without being able to build upon a wealth of experience in restructuring assistance.

Supportive measures

It seems necessary to embed EGF assistance more closely into the EU Quality Framework for anticipation of change and restructuring (QFR) and to design a better co-ordinated approach

for both preventive measures in anticipation of major restructuring events, and one-off reactive measures such as those currently co-financed by the EGF. This could mean widening the range of the EGF's activity, or a more closely co-ordinated approach together with other EU instruments such as the ESF. Even though the instrument's design shows a clear complementarity of the funds, Member States could better embed EGF assistance into a comprehensive package of restructuring aid. Labour market transitions require intensive investments in human capital, both in the form of proactive anticipative measures and reactive measures.

NEETs derogation clause

Youth unemployment will still remain a major challenge. Experience shows that EGF assistance, if offered to NEETs, is largely taken up. However, thoughts should be given to whether the EGF is the right avenue to offer such assistance or if other channels would offer better chances of reaching out to the young people concerned. It could be regarded as unfair if help is only offered to NEETs in regions affected by a mass restructuring event caused by globalisation or the financial crisis, but not to those in regions affected by automation.

Political implications

In its White Paper on the Future of Europe, the Commission expresses concerns regarding isolationist movements, growing doubts over the benefits of open trade and the EU's social market economy in general.

In its Reflection Paper on Harnessing Globalisation, the Commission identifies the combination of trade related globalisation and technological change as the major drivers of an increased demand for skilled labour and decreasing demand for lower-skilled labour. Despite the overall tremendous advantages of more open trade and further integration of world economies, these negative side effects need to be tackled. As the current benefits of globalisation are already unequally distributed among people and regions, causing a significant impact on those adversely affected, there is a danger that the ever faster evolving technological advances will further fuel these effects. In order to prevent the gap from further widening, Europe will need to help the workforce attain the required skills. With a specific view to the EGF, the Reflection Paper argues it should be considered to make the instrument more operational, in order to ensure a faster deployment in case of a major restructuring event. In order to enable it to support a broader range of economic development actions than the current focus on the affected workers, more flexibility would be needed. The gap between short-term measures and longer-term conversion strategies supported by cohesion policy will need to be bridged.

The Commission launched the European Pillar of Social Rights which takes into account the changing realities of the work environment. More specifically, the Pillar puts forward a principle related to activation and facilitating transitions on the labour market: "Everyone has the right to timely and tailor-made assistance to improve employment or self-employment prospects. This includes the right to receive support for job search, training and re-qualification. Everyone has the right to transfer social protection and training entitlements

during professional transitions.” The EGF offers an important and visible instrument at EU level to put this principle into practice in the case of major restructuring events. The EGF proves to be a useful tool to tackle the adverse effects of globalisation, and its high visibility might help reduce concerns regarding the EU's social market economy.

The mid-term evaluation has shown that the EGF is creating EU added value by offering assistance to workers made redundant in major restructuring events. The Commission is therefore looking forward to further discussing the assistance currently delivered by the EGF with the European Parliament and Council and all major stakeholders. The EGF is regarded as an essential part of the overall package of human capital investment measures offered. The Commission is considering further developing the EGF in order to be ready for the challenges of the post-2020 period.