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**COMMISSION STAFF WORKING DOCUMENT**

*accompanying the*

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**  
**amending Regulation (EC) No 1927/2006 on establishing the European Globalisation**  
**Adjustment Fund**

**Impact Assessment**

{COM(2008) 867 final}  
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**COMMISSION STAFF WORKING DOCUMENT**

**Report on the impact assessment of the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund**

Lead DG: EMPL

Other departments involved: TRADE, ENTR, REGIO, COMP, SG, SJ

Agenda Planning or WP reference: 2008/EMPL/012

## ***Executive summary***

*In the light of the scale and the speed of the current economic crisis the proposal prepared by the present impact assessment had to be adapted. The Commission announced in its European Economic Recovery Plan, adopted on 26 November 2008, that it would propose to extend the scope of the EGF as part of Europe's crisis response and turn it into an early, more effective intervention instrument in line with the fundamental principles of solidarity and social justice. This led to the introduction in the final proposal of the extension of the scope to "a serious disturbance in the economy due to globalisation", an element that was not covered by the version of the impact assessment presented to the Impact Assessment Board.*

The European Globalisation Adjustment Fund (hereafter the EGF) was created in December 2006 in order to enable the Union to show solidarity with and provide support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation. The Fund supports measures such as assistance with job-search, training and mobility allowances and thus makes it easier for the workers to find new jobs. With the decision to create the EGF for an initial period of 7 years (2007-13) and provide it with an annual maximum budget of EUR 500 million the Union also decided to actively complement the efforts of the Member States at national, regional and local levels. It was assumed in the Impact Assessment of the original proposal that the EGF could support 35,000 to 50,000 workers per year with between EUR 10,000 and EUR 20,000 each.

The outcome of the first 18 months of EGF operations is significantly lower than that: During 2007 and the first half of 2008 the EGF received 12 applications from 8 Member States. They concerned EUR 67.5 million of EGF support for 15.000 workers, giving an average of EUR 4.500 per worker.

There was and is broad consensus within the European Union on the need to address at European level the negative effects of globalisation for those citizens who have lost their jobs. The key issue is whether the stated objective of solidarity is being met by the current EGF, i.e. whether the EGF is available to the redundant workers concerned and whether its actions match the needs of the individuals.

In 2007 the European Restructuring Monitor recorded 66 cases of restructuring of enterprises involving more than 1000 workers, and there were a further 38 in the first half of 2008, as compared to 12 EGF cases during 2007 and 2008. ERM figures cover all recorded events regardless of their nature and some of these events quite clearly fall outside the current EGF definition of eligibility. However, Member States have informed the Commission departments that even under current rules further applications could have been made for EGF assistance, but were not for a variety of reasons. Evidence gathered from national administrations and opinions expressed during the consultation suggest that cases might exist where redundancies are stretched over a longer period, not allowing the threshold to be reached within the reference period. Particularly difficult is the collection of information from the regional and local levels within short reference periods.

The ERM also recorded 73 events involving between 500 and 1,000 workers and, just as for the larger cases, it is likely that some of these events are caused by changes in international trade patterns. However these trade-redundant workers can not benefit from EGF assistance due to its current eligibility criteria.

From these two considerations it can be concluded that the objective of solidarity of the EGF is only partially being met under the present rules and that this situation can be addressed by lowering the redundancy threshold for EGF applications from 1000 to 500 workers.

Moreover the Commission has identified the need to make the EGF a more effective early intervention instrument and to fully exploit its potential as part of the crisis response. The current EGF Regulation specifies that only trade related redundancies are eligible for support. However the global crisis impacts the real economy and employment in many other ways beyond (international) trade. In addition to lowering the threshold for support, the Commission is proposing to include changes in the definition of EGF eligibility so that redundancies occurring as a result of a serious disturbance in the economy may be included, and the Fund can thus directly respond to the effects of the crisis on employment. In this way the EGF will be able to provide support to more workers who are in fact made redundant by globalisation but who could not be assisted so far.

On the issue of whether EGF actions match the needs of individual workers, analysis of the EGF cases, the FAQs to the Commission departments and input from the Member States' experts and other stakeholders indicate that the combination of requirements (especially implementing a coordinated package of personalised services within a 12 month period) is detrimental to the quality of the actions and does not leave sufficient time for the measures to be effective in re-integrating particularly the most vulnerable workers into new jobs. It is therefore proposed to extend the implementation period to 24 months.

Besides, in order to make the EGF co-funding more attractive to Member States it is proposed to increase the common intervention rate to 75 % to bring it into line with the Structural Funds.

These proposals fully respect the fundamental nature of the EGF, while turning it into a more efficient crisis response instrument.

Since the first annual report on the EGF was adopted on 2 July 2008 the Commission has consulted the Member States twice: first by way of a questionnaire related to EGF operations and management and including the issues identified in the annual report and secondly at a conference of Member State representatives and stakeholders at the beginning of September 2008. This has allowed the Commission to assemble a maximum of information and views in the available time and discuss and exchange ideas on the EGF Regulation and its implementation.

Based on the information thus available the Commission departments have examined 4 Options: first to continue with no changes; second to introduce a number of operational improvements which can be undertaken without changes to the EGF Regulation; and third to introduce specific amendments to the Regulation. The third Option has two variants as concerns eligibility: one where trade continues to be the only criterion and one where trade is supplemented with market changes as described above. The fourth Option proposes an expansion beyond market changes to enable the EGF to react rapidly to redundancies brought about by disruption of the economy caused by globalisation. The 4 Options have been analysed and assessed in light of the overall objective laid down in the EGF Regulation, of providing support to workers made redundant due to globalisation, ensuring that the solidarity objective of the EGF is met and that the EGF provisions adequately take into account the economic, social and territorial characteristics of all Member States.

The analysis of the social and economic impacts has led to the conclusion that the Option 1 "No change" would not make it possible to address the shortcomings in the implementation of the current EGF Regulation. The Option 2 "No change plus improvements" would simplify procedures and application and information requirements, provide clarification on eligibility rules, increase visibility of the EGF through the use of existing networks and promote exchange of experience and good practice. It would not address the main obstacles that make the EGF less effective as a financing instrument than had been intended by the legislator. Option 3, Variant A "Trade" would allow a larger number of redundant workers to benefit from the EGF and to benefit for a longer period. Whilst this Option would make it possible to address most of the problems identified, it would not allow for equal treatment of workers made redundant as a result of major changes in world markets. Option 3, variant "Markets" would extend the benefits to a wider field and encompass also the workers affected by events which fall under a more comprehensive concept of globalisation. Option 4 would further extend the scope to a wider range of redundancies caused by globalisation while offering all the other advantages of Option "3 Markets". Therefore, Option 4 is considered to better fulfil the objective of solidarity in as much as it makes support available to more redundant workers.



## 1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

### 1.1. *Opinion of the Impact Assessment Board*

*In the light of the scale and the speed of the current economic crisis the proposal prepared by the present impact assessment had to be adapted. The Commission announced in its European Economic Recovery Plan, adopted on 26 November 2008, that it would propose to extend the scope of the EGF as part of Europe's crisis response and turn it into an early, more effective intervention instrument in line with the fundamental principles of solidarity and social justice. This led to the introduction in the final proposal of the extension of the scope to "a serious disturbance in the economy due to globalisation", an element that was not covered by the version of the impact assessment that was presented to the Impact Assessment Board.*

The Draft Impact Assessment report on the EGF was examined by the Impact assessment Board at its meeting of 24 September 2008. In its opinion issued on 29 September 2008 the Board stated that it would like to examine and issue an opinion on a revised IA report.

The Board made a number of recommendations for improvements of the draft IA report.

The first recommendation concerned the improvement of the problem definition. This has been addressed systematically in Section 2, point 2.3, of the revised report, including specific references to the needs arising from the global financial crisis. It describes for each of the proposed changes: eligibility threshold, duration of implementation, intervention rate, globalisation event, technical assistance and introduction of definitions in the EGF Regulation the main deterrents related to the efficiency of implementation of the current EGF Regulation. Concrete examples based on information received during the consultation period from the member States, are provided to illustrate the problems related to implementation. Given the lack of adequate data on potentially eligible cases, in particular whether these cases could meet the strict intervention criteria, it is not possible to provide an analysis of cases where Member States have not applied for EGF support, as requested by the Board. The description of the impact of a base line scenario that takes into account the economic outlook of the macro-economic environment is referred to under 2.5 and further addressed in 5.1.1. and 5.2.

Secondly the Board recommended that the report should further develop the description of the proposed changes to the EGF Regulation and substantiate the choice of the specific parameters. The proposed changes are described in detail in Section 5 under point 5.1.3. of the revised report, where the choice of specific parameters is also further substantiated. The same sub section contains the position of the Member States on the proposed changes to each of the specific parameters. For further information the detailed position of the individual Member States' experts on the issues addressed in the questionnaire – which also covers the questions addressed by the proposed changes to the Regulation – has been added as Annex 2 to the report. Finally it is noted that the proposed extension of the duration of the implementation period from 12 to 24 months is fully in line with the European Employment Strategy which suggests that every person becoming unemployed must be offered a new start

within 12 months; extending the period does not limit the possibility of intervening early but offers the opportunity to intervene for a longer period of time and thus helps increasing the rate of re-integration of the redundant workers.

The third recommendation concerned the need to provide a more explicit definition of the eligibility criteria under Option 3.B "Markets". This is addressed in Section 5 under point 5.1.4. of the revised report which covers the considerations related to the crisis response function of the EGF and where the role of the Member States in preparing and justifying the applications is reiterated. It is explained which evidence would be required from Member States for the purpose of providing an analysis of the link between the major structural changes in world markets and the redundancies covered in their application.

An administrative recommendation concerned the explanation of why no inter-service group was set up for the IA. This explanation is provided in Section 1 under point 1.1.

The Board issued a second opinion on 6 October 2008 on the revised Impact Assessment in which the Board recognised that many of its recommendations had been taken on board and made further recommendations.

A general recommendation concerned strengthening the arguments for an amendment to the EGF Regulation at the present time. The issue of the timing of the proposal has been clarified in the problem definition, with a clear reference to the economic crisis and the European Economic Recovery Plan, which includes an amended EGF among the proposed measures to face the crisis. To this end it is proposed to widen the scope of the EGF even further than envisaged in the "markets" Option, namely to cover redundancies resulting from a serious disturbance in the economy due to globalisation and include this as a fourth Option. By enabling the EGF to respond to more cases of globalisation induced redundancies it should reach more workers affected by the economic crisis than the present Regulation permits, and therefore be distributed more fairly – which also in part responds to the second recommendation below.

The first recommendation concerns the analysis of the Member States' willingness and ability to use the EGF support and recommends that eligible cases not presented for EGF co-financing, be examined. The Commission services are aware of 4 or 5 such cases. However in every case the Member State concerned was either still gathering information about the circumstances and was therefore not in a position to establish clearly if the case would indeed be eligible; or the case concerned too few workers for even an application under Art. 2(c), despite the other conditions for applying to the EGF having been met. The proposal to lower the threshold should help on this respect.

The second recommendation concerned clarification as to how the proposed open-ended eligibility criteria can be implemented fairly and appropriately. The use of the EGF has always been subject to an assessment by the Commission based on the merits of each specific case. This is already being done under the criteria of "major structural changes in world trade patterns", "substantial increase in imports" or "rapid decline of EU market shares". The new proposal will not remove the element of assessment, nor will it make it more difficult for the Commission to decide. It should

be recalled that the EGF does not pursue an objective of equal distribution of funds among Member States or regions.

The third recommendation asked for an assessment of the likely increase in demand for the EGF that will result from the economic slowdown and assess EU value added. As it was already stated in the IA the take-up of EGF funding depends critically on the propensity of Member States to apply for assistance. This continues to be the case, because the principle of a demand driven Fund remains unchanged. The number of potential cases depends in turn on the depth and length of the economic crisis and on how Member States' economies cope with it. It is not possible to make quantitative estimates with any degree of confidence. In contrast, however, the amended EGF will serve to underline the Union's solidarity with redundant workers who have lost their jobs through no fault of their own, but due to the world-embracing economic downturn.

### 1.2. *Organisation and timing*

Article 16 of Regulation (EC) No 1927/2006<sup>1</sup> on establishing the European Globalisation Adjustment Fund ("the EGF Regulation") stipulates that each year the Commission must present to the European Parliament and the Council a quantitative and qualitative report on the activities of the EGF in the previous year. Article 20 of the EGF Regulation also provides that the Commission may submit a proposal to review the Regulation on the basis of its first annual report.

The Commission adopted its report on the first year of operation of the EGF<sup>2</sup> on 2 July 2008. In that report the Commission indicated that it would examine ways to improve the performance of the Fund and outlined a number of issues to be looked into, including expanding the Fund to cover changes in international markets, the intervention thresholds and the length of implementation periods (see Annex 1 for the full report).

As this proposal concerns a revision of existing legislation, the problem at issue and the objectives pursued by the EGF in its current form have already been defined in the impact assessment<sup>3</sup> accompanying the original legislative proposal. Therefore, the present impact assessment looks only into the specific problems to be addressed by the proposed amendments.

The proposed amendments to the EGF Regulation are partially of a cross-cutting nature, and DG EMPL has consulted the other departments concerned on an ad hoc basis during the period of preparation. This working method was considered necessary to meet the tight deadlines for making progress within the current Parliament.

### 1.3. *Consultation of Member States and social partners*

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<sup>1</sup> OJ L 406, 30.12.2006, p.1, Regulation as corrected in OJ L 48, 22.02.2008, p. 82

<sup>2</sup> Communication from the Commission to the European Parliament and the Council on Solidarity in the face of change: The European Globalisation Fund: 2007 Review and Prospects, COM(2008)421 final of 2.7.2008

<sup>3</sup> Sec(2006)274 accompanying COM(2006)91 final

Since the first annual report on the EGF was adopted on 2 July 2008 the Commission departments have consulted the Member States' experts and social partners twice: first by way of a questionnaire relating to EGF operations and management and including the issues identified in the annual report and secondly at a conference of Member State representatives and social partners at the beginning of September 2008.

The questionnaire asked the Member States and the stakeholders to provide their views on the usefulness of including factors of globalisation other than changes in international trade; on the number and nature of redundancy cases involving more than 1000 workers as well as cases involving between 500 and 1000 workers; on the appropriateness of the time periods established in the Regulation (reference periods and implementation periods); and on a number of issues relating to administration of the EGF at EU and national levels. Replies were received from 22 Member States and a few social partner organisations.

A second consultation of the Member States' experts and social partners took place at a conference held in Brussels on 4 September 2008. The conference agenda covered the issues identified in the annual report as highlighted in the responses to the questionnaire, summarized for ease of reference in an issues paper which was sent to all participants prior to the meeting.

#### 1.4. *Main results from the stakeholder consultation*

The Commission departments particularly wanted to know the views of the Member States and other stakeholders on the core issues identified in its annual report and to receive additional information and data if possible. These views are addressed in detail in the assessment of the Options in Section 5. An overview table is given in Annex 2. It should be noted that the views of the Member States reflect the experts' opinion and not necessarily the formal position of the Member States.

The information received was considered sufficient in terms of representation of the different interests. Given the limited scope of the proposed amendments further public consultation was not considered necessary.

## 2. **PROBLEM DEFINITION**

### 2.1. Background to the EGF

There is an urgent need for action to protect Europe's citizens from the worst effects of the global financial crisis and ensure rapid re-integration into employment of workers who have been made redundant, and thus to avoid long term unemployment.

The EGF was established as a community instrument to help workers made redundant due to major changes in world trade patterns. Member States may apply for EGF support if major structural changes in world trade patterns lead to a serious economic disruption, notably a substantial increase of imports into the EU, or a rapid decline of the EU market share in a given sector or a delocalisation to third countries.

However the global economic crisis has repercussions for employment far beyond what can be attributed to changes in world trade, and under the current rules of the Regulation the EGF is not in a position to address these issues.

The EGF contributes to funding active labour market measures designed to re-integrate redundant workers into the labour market. The EGF has been set up for the period 1 January 2007 to 31 December 2013, to coincide with the duration of the financial framework. It has a maximum annual reserve of EUR 500 million. The contribution of the EGF may not exceed 50 % of the total estimated costs of the proposed intervention. The duration of EGF support, which may start as soon as the Member State begins to implement measures for the redundant workers concerned, is set to finish at the latest 12 months after the date of submission of an application.

EGF support is granted to the Member State on the basis of an individual financing decision taken by the Commission following a decision by the EU Budgetary Authority to mobilise the EGF. For reasons of efficiency, proposals to mobilise the EGF are presented in batches covering two or more separate applications.

Member States can apply for EGF support under one of the following eligibility criteria of Article 2 of the current Regulation:

- (a) at least 1,000 redundancies over a period of 4 months in a Member State, including workers made redundant in its suppliers or downstream producers, or
- (b) at least 1,000 redundancies, over a period of 9 months, particularly in small or medium-sized enterprises, in a NACE 2 sector in one region or two contiguous regions at NUTS II level, or
- (c) in small labour markets or in exceptional circumstances, duly substantiated by the Member State(s) concerned, even if the conditions under a) and b) above are not entirely met, when redundancies have a serious impact on employment and the local economy.

## 2.2. *Current situation of the EGF*

The outcome of the first 18 months of EGF operations can be summarized as follows: During 2007 and the first half of 2008 the EGF received 12 applications for support from 8 Member States. They concerned EUR 67.5 million of EGF support for 15,000 workers, giving an average of about EUR 4,500 per worker.

A total of 6 decisions have been taken, resulting in payments of EUR 18.6 million in 2007 (or 3.7 % of EUR 500 million) and EUR 3.1 million in 2008.

A detailed case by case presentation of the Fund's activities so far is available at the EGF web site<sup>4</sup>. More information can also be found in the first annual report in Annex 1.

The twelve applications received so far have come from eight Member States: Italy (4), France (2), Germany, Finland, Malta, Portugal, Spain and Lithuania (1 each).

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<sup>4</sup> [http://ec.europa.eu/employment\\_social/egf/index\\_en.html](http://ec.europa.eu/employment_social/egf/index_en.html)

The other nineteen Member States have not yet raised any cases with the Commission for potential presentation to the EGF. No applications have led to a negative decision.

These results fall significantly short of the assumptions made for EGF support in the Impact Assessment for the original proposal<sup>5</sup> where it was assumed that the EGF could support 35,000 to 50,000 workers per year.

### 2.3. *Need for action*

In the light of the situation described above and in particular the need to provide support for workers made redundant through the economic impact of globalisation the central question is therefore whether the stated objective of solidarity is being met with the current EGF, i.e. is the EGF available to the redundant workers concerned and do the actions match the needs of individuals?

This question has to be examined within the scope as limited by Article 20 of the EGF Regulation, which provides for review of the EGF on the basis of its first annual report with the two-fold aim (1) to ensure that the solidarity objective of the EGF is met and (2) that its provisions adequately take into account the economic, social and territorial characteristics of all Member States. Achievement of the solidarity objective implies reaching and re-integrating into the labour market a larger number of redundant workers than is the case under the current EGF Regulation.

At this stage it is not the intention to evaluate the effectiveness and sustainability of the results obtained by the EGF. To that effect a mid-term evaluation will be carried out in accordance with Article 17 of the EGF Regulation by 31 December 2011. Indeed, as the first final reports from Member States on the implementation of specific EGF interventions were only delivered in September 2008, consideration of actual outcomes has not been possible.

The proposed amendments aim at improving in the short term the implementation and performance of the EGF in relation to the above objectives.

Some improvements could be achieved by addressing the shortcomings related to the implementation of the current eligibility criteria. These relate to the complicated procedures and information requirements, the lack of interest of existing networks to promote the EGF, the lack of clarity as regards the eligibility of the services sector, of transnational mobility allowances and micro-credits and the absence of trade related reference material for the preparation of applications, the absence of adequate support enabling systematic exchange of experience and good practice as well as a lack of visibility of the EGF. These problems can be solved to a large extent without amending the Regulation.

However, more far-reaching improvements would need to address the inadequacy of the current eligibility criteria with a view to meeting the solidarity objective. Four main causes can be identified for the under-performance of the Fund with respect to its solidarity objective: the eligibility threshold, the globalisation event creating the

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<sup>5</sup> SEC(2006)274, op.cit., p. 15

eligibility, the duration of the implementation and the intervention rate. These are analysed below.

### Eligibility threshold

In 2007 the European Restructuring Monitor (ERM) recorded 66 cases of restructuring of enterprises involving more than 1000 workers, and a further 38 in the first half of 2008 as compared to 12 cases notified to the EGF in 2007 and 2008. ERM figures cover all recorded events regardless of their nature and some of these events fall completely outside the current EGF definition of eligibility.

Member States have informed the Commission departments that, even under current rules, further applications might have been made for EGF assistance, but were not, for a variety of reasons, including lack of relevant data, e.g. due to difficulties with disaggregation of regional and sectoral redundancy statistics. This is particularly relevant for redundancies in sectoral cases in a single or two contiguous regions involving a large number of SME's (Article 2(b) cases).

Evidence gathered from national administrations and opinions expressed during the consultation process suggest that cases might exist where redundancies are stretched over a longer period, not allowing the threshold to be reached within the reference period.

The ERM also recorded more than 73 events in the same period involving between 500 and 1,000 workers, and some of these events would be caused by changes in international trade patterns. However these trade-redundant workers can not benefit from EGF assistance due to the current threshold of 1,000 redundancies.

The experience gained by the EGF so far demonstrates that, in practice, many redundancy events tend to be long-drawn out. Even in cases of company closure, the actual process of laying off the workers may be slow, with more senior workers benefitting from a longer period of notice before their final redundancy. This has made it difficult (as Finland informed the Commission departments in respect of its Perlos application) to count over 1,000 redundancies within the tight reference period, even though the event clearly affected more than 1,000 workers. The problem is further exacerbated by the legal impossibility under the current EGF Regulation to include workers made redundant before the start of the reference period in the package of measures. Two possible solutions to these problems have been considered: (i) extending the reference period to greater than four months (in Article 2(a) cases) or nine months (in Article 2(b) cases), or (ii) reducing the number of actual redundancies that must occur within the reference period in combination with the inclusion of workers made redundant before the start of the reference period. In order to avoid extending the reference periods, and thus extending the whole application and decisional process to unacceptable lengths, a reduction of the trigger number of redundancies in combination with the inclusion of the redundancies occurring before the start of the reference period is considered the best solution. The effect of such a reduction will be two-fold: it will make it easier for Member States to make an application in cases of drawn-out redundancies, it will ensure equal treatment between workers dismissed before and after the reference period and it will allow smaller redundancy events to be eligible. This latter effect clearly extends the

coverage of the EGF to events which although of a smaller size can be locally or regionally catastrophic.

It is proposed to reduce the trigger number of redundancies to 500. A reduction to, for example, 800 would not significantly increase coverage. On the other hand, the Commission considers that a figure below 500 would not represent a European-level shock and unit cost of preparing, negotiating and managing too small interventions may be disproportionate.

#### Duration of the implementation

Commission analysis of the EGF cases that have been received, the FAQs to the EGF internet site and input from the Member States and other stakeholders indicate that the requirement that a coordinated package of personalised services to be implemented within a 12 month period can be detrimental to the quality of the actions and does not leave sufficient time for the measures to be effective in re-integrating workers who are hard to place into new jobs. If more time was available to conceive, develop and implement the individual measures higher rates of re-integration could be achieved. Experience in the largest EGF intervention so far (Germany, BenQ) demonstrates that after one year of intensive support, over 40% of the assisted workers had still not found a replacement job. This figure was also observed in the French Peugeot EGF case, where 41% of workers were still unemployed at the end of their EGF assistance. In the French Renault case the outcome was better but around a quarter of the workers who had benefitted from the assistance were still without a durable outcome. It should be underlined that these remaining workers who have normally a consistent job history have good chances to be placed if they receive substantial support.

The Commission departments share the opinion of the Member States that a longer period of implementation of the EGF-funded activities would allow a greater number of affected workers to return to employment. In particular, given that those remaining unemployed after one year are likely to be in an increasing difficult situation on the labour market, an extension of the period of implementation would allow a better achievement of the solidarity objective of the Fund.

A longer intervention period would also allow Member States to elaborate better targeted packages of measures and to carry out the necessary administrative and financial steps to set them up.

#### Intervention rate

The EGF Regulation in its Article 20 provides that the review of the Fund must ensure that the solidarity objective of the EGF is met, and that its provisions adequately take into account the economic, social and territorial characteristics of all Member States. In this regard the Commission departments consider that the application of a single intervention rate has had the inadvertent effect of discouraging applications from the less advantaged regions of the EU, which enjoy a higher intervention rate from the Structural Funds than granted under the EGF. Such less advantaged regions may be discouraged from applying to the EGF because the cost to the national exchequer is higher than other, admittedly less focussed, instruments such as the ESF. The Commission departments considered the Option of applying



different rates to different regions, as in the Structural Funds, but considers that for reasons both of efficiency, simplicity and solidarity, it would be preferable to use a single intervention rate, but that this rate should be increased.

#### Globalisation event

Among the ERM cases mentioned above, there are some which are related to changes in world market conditions, but where it is difficult to establish a link with changes in trade patterns, as required under the current Regulation. However, "globalisation" has many other facets than (international) trade, such as changes in production and product technology, changes in the organisation of production (such as company outsourcing) and the access to, and price of, raw materials and other inputs and the speed with which this happens. Such cases are not covered by the existing Regulation, but should become eligible through the broadening of the scope of the Fund.

Furthermore the financial crisis has made evident that major redundancies can be brought about by problems in the banking and financial sectors on a global scale which negatively impacts the real economy in the EU and the Member States. There is a need to adapt the Regulation to enable the EGF to be responsive to the broadest possible range of globalisation events.

Two additional problems experienced by the EGF in its first year of implementation related to:

#### Technical Assistance

The lack of guidance, expert advice, peer learning and mutual exchanges led to some cases of inadequate applications which required considerable efforts to improve, and which slowed down the decisional process. The Commission departments regretted these delays, but found themselves unable to address them adequately due to the inflexibility of the Technical assistance arrangements for the Fund.

#### Introduction of definitions in the EGF Regulation

The difficulties faced by the Member States in interpreting certain elements of the EGF regulation, which led to some confusion, and risked creating greater problems of a legal or audit nature in the future.

#### Conclusion

The consultation has shown support for strengthening the performance of the EGF with a view to better meeting the solidarity objective as intended by the legislators.

It can be expected that, if no action is taken, the EGF will only reach and re-integrate into the labour market a small share of the redundant workers for whom it was created. However it would leave out a significant number of workers who are considered victims of globalisation by the wider public.

#### 2.4. *Affected stakeholders*

The most affected stakeholders are the workers who become redundant as a consequence of structural changes in world trade patterns and other types of changes in world markets and who, depending on the Option chosen, may or may not be eligible for support from the EGF.

Article 1 of the EGF Regulation recognises that various stakeholders are also to be found in the regional or local economy surrounding each potential or actual EGF case.

The national authorities in the Member States are responsible for submitting applications for EGF support, and thus will also be directly affected by any changes in the Regulation.

## 2.5. *Consequences of inaction*

The consequences of not taking action are addressed as policy Option 1 "No change" below under sections 4 to 6. This would mean leaving the EGF Regulation unchanged and leaving the identified problems identified un-addressed. However, as the economic prospects for the future are less favourable than those observed in 2007 and the first half of 2008, the baseline scenario is likely to lead to more redundancies caused by developments in the world economy. It is therefore likely that, even without the proposed modification of the Regulation, more redundant workers would have to be assisted by the EGF. The number of workers affected by globalisation who could not be supported due to shortcomings in the Regulation would also increase.

## 2.6. *Legal basis for action by the EU*

The proposal seeks to modify the existing EGF Regulation, which is based on Article 159 3rd Paragraph of the Treaty. Changes to this Regulation can only be initiated by a proposal from the Commission. In addition, the possibility of a rapid amendment to the original EGF legislation has been provided for by the legislator: Article 20 of the EGF Regulation lays down that the Commission may submit a Proposal, on the basis of the *first* annual report, for the European Parliament and the Council to review the EGF Regulation.

The Proposal does not affect the fundamental rights of citizens as laid down in the EU Charter of Fundamental Rights.

## 2.7. *Data sources*

The consultation has shown that Member States do not systematically collect statistical data on mass redundancies by company, region or sector. In most instances, scattered data are available on announced redundancies in individual enterprises in application of Council Directive 98/59/EC<sup>6</sup> on collective redundancies. However, there is often a significant difference between the number of redundancies announced prior to the negotiations with the workers' representatives and the number of actual redundancies resulting from these negotiations.

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<sup>6</sup> OJ L 225, 12.8.98, p. 16

For the purposes of providing quantitative estimates in this Impact Assessment the Commission departments have used the information on company restructuring and redundancies available at the European Monitoring Centre for Change (EMCC) at the European Foundation for the Improvement of Living and Working Conditions as well as the data collected during the first year of implementing the EGF.

The ERM, located within the EMCC, collects and presents cases of restructuring that affect at least one EU Member States and:

- entail an announced or actual reduction of at least 100 jobs; or
- involve sites employing more than 250 people and affecting at least 10% of workforce; or
- create at least 100 jobs.

The information concerning restructuring cases is extracted from leading European daily newspapers and the business press, and cross-checked and completed with the help of other sources, such as company web sites and trade union web sites.

The ERM database recorded 573 events in 2007 and 282 in the first half of 2008. To date a total of 7,850 events have been registered, which make the ERM the most complete source of information on restructuring across the European Union.

However, although the ERM provides data as accurately as possible, its reliability is affected by the nature of the data sampling technique:

- *possible over-representation of big firms and large workforce reductions*, as these are more likely to be reported in the media; as firm size is correlated with a number of important factors, such as economic sector, *size bias* may lead, for instance, to a higher reporting rate for manufacturing compared to services;
- *regional bias*, which is likely to occur when media coverage is not evenly spread throughout the country;
- *country size bias*, which may exist because restructuring events involving 100 employees occur less and are more media relevant in small Member States than in large Member States, with consequences for reporting frequency;
- *type of restructuring bias*, which may occur if public and media focus is more concentrated on certain types of restructuring (e.g. company closure);
- *possible over-estimation of the number of redundancies*, as it is based on the announced redundancies as reported in the media at a very early stage of the collective redundancy process.

Furthermore it is not possible to identify just the "EGF" type events among all the events recorded. The ERM data therefore reflects a number of event which are not potentially relevant to the EGF.

A comparison of ERM data with the number of redundancies notified to the Commission in the cases analysed so far in the EGF context shows a significant

degree of correspondence between these sources, albeit that the ERM figures tend to overestimate the number of actual redundancies.

Further data on this aspect of collective redundancies is available from the report by GHK "*Verification of Collective Redundancy Notification and European Restructuring Monitor Data*"<sup>7</sup>. This document consists of a comparison of data recorded by the ERM and those reported to national authorities in compliance with Council Directive 98/59/EC, which lay down that the employers notify the competent public authority of any projected collective redundancies.

Another source of information is the annual report of the EGF, containing a detailed overview of applications handled so far, as well as specific information on redundancy events. The Commission departments have moreover drawn on the EGF web site, particularly the Frequently Asked Questions, as these point to the issues most in need of attention. Finally, the Commission departments have taken full account of the answers given by the Member States' experts and stakeholders during the consultation. Information from the final reports on the French EGF cases, received on the 24<sup>th</sup> of September 2008, was also taken into account.

### **3. OBJECTIVES**

#### *3.1. General policy objectives*

The general policy objective is to provide the Union with an efficient instrument to respond flexibly and confidently to serious economic disruption brought about by globalisation. There is broad consensus in the EU that openness to trade in global markets and international investment increases the ability of the EU to provide growth and prosperity to its citizens. However, it is also generally recognised that globalisation may have negative consequences, particularly for the most vulnerable and least qualified workers in some sectors, and that these should be addressed<sup>8</sup>.

The EGF is concrete proof of Community solidarity with the workers thus affected.

#### *3.2. Specific policy and operational objectives*

The policy objective pursued with this proposal is to make the EGF a better performing and more flexible instrument by extending the coverage of the Fund and enhancing its effectiveness in re-integrating workers made redundant by globalisation into the labour market.

The operational objectives are to:

- (1) Adapt the eligibility criteria to better reflect labour market characteristics
- (2) Increase the effectiveness of reintegration measures
- (3) Make co-funding from the EGF more attractive to Member States

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<sup>7</sup> Project No 0298/Contract No 06-3030-47, 26.4.2007

<sup>8</sup> See i.a. COM(2006)567 final of 4.10.2006, Communication from the Commission on Global Europe competing in the world. A contribution to the EU's growth and jobs strategy.

- (4) Ensure equivalent treatment of all workers affected by developments in global markets
- (5) Improve the quality of applications and measures
- (6) Provide legal certainty about undefined key elements in the current EGF Regulation.

### 3.3. *Consistency with other EU policies*

Community support for workers who become redundant as a consequence of increased competition in global markets clearly underpins the objectives of the Lisbon strategy on growth and job creation. It is fully consistent with the overarching objectives of the European Employment Strategy of achieving full employment and reducing unemployment and inactivity, improving quality and productivity at work, improving the attractiveness of jobs and strengthening social and territorial cohesion. EGF assistance complements actions co-financed by the Structural Funds, in particular the European Social Fund.

The EGF underpins the Integrated Guidelines of the European Employment Strategy, in particular Guidelines 20, 21 and 24. These guidelines concern the need to pursue integrated flexicurity policies and improved matching of labour market needs through removing obstacles to mobility for workers across Europe, as well as through the better anticipation of skill needs, labour market shortages and bottlenecks. They promote flexibility through the better anticipation and positive management of change, notably linked to trade opening, so as to minimise social costs and facilitate adaptation, and offer support for transitions in occupational status, including training, self-employment, business creation and geographical mobility. They also support best use of education and training systems in response to new competence requirements by responding to new occupational needs, key competences and future skill requirements by improving the definition and transparency of qualifications, their effective recognition and the validation of non-formal and informal learning.

The Annual Report on the operations of the EGF is a key element in the Renewed Social Agenda<sup>9</sup> recently adopted by the Commission, as this Fund enables the Union to show its solidarity with those who are negatively affected by globalisation. In this report, the Commission announced its intention to take appropriate initiatives on the EGF before issuing its next annual report, which is due in 2009.

## 4. **POLICY OPTIONS**

This section will explain the Options which are available to achieve the objectives. As stated under 2.3 these Options remain within the scope of the review clause in Article 20 of the EGF Regulation that points to the need "to ensure that the solidarity objective of the EGF is met and that its provisions adequately take into account the economic, social and territorial characteristics of all Member States". It does not call for a proposal for a new or re-defined EGF that would change the fundamental nature

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<sup>9</sup> COM(2008) 412 final of 02.07.2008

of the Fund, i.e. timely support for workers who lose their jobs as a result of globalisation.

While a more fundamental examination may be undertaken at a later stage, at present it is appropriate only to concentrate on the immediate needs in respect of the EGF Regulation itself.

The Commission departments have therefore focused their analysis of the policy Options on the three examined below. At this stage more radical changes to the EGF Regulation are not pursued, such as amending the Inter Institutional Agreement and incorporating the EGF under the current Financial Framework; merging the EGF with the ESF (ESF multi-annual operational programmes cannot easily respond to abrupt changes in world trade patterns); or changing the EGF into a funding mechanism for the restructuring of enterprises (which would change the focus of the instrument from the workers to the enterprise). Such Options cannot be justified on the basis of the review called for by Article 20 of the Regulation and do not, therefore, fall within its scope.

Nor was the Option considered of discontinuing the EGF altogether. This would remove the only Community instrument specifically addressing the needs of workers made redundant because of globalisation, and it would be politically unacceptable.

Some shortcomings related to the implementation of the current eligibility criteria can be remedied **without changing the Regulation**: the Commission departments will, in co-operation with the Member States review the application forms and the information needed with a view to simplification; provide support for exchange of experience amongst Member States and make full use of the existing networks to improve the visibility of the EGF. More can also be done to draw attention to activities which have not so far been proposed, e.g. EGF use for the services sector, for mobility allowances (including intra-EU mobility) and micro-credits, and to ensure availability of reference material useful for preparing applications.

In the first annual report the Commission identified some issues which are particularly important for addressing the inadequacy of the current eligibility criteria. In the consultation these were agreed with, and so the Commission departments are proposing an adaptation of **the EGF Regulation** in the following ways:

**Firstly**, by ensuring that the EGF can assist in all cases where an important number of workers lose their jobs due to globalisation. The proposal is to lower the number needed for an application **from 1000 to 500 redundancies**. It is also proposed, for reasons of equal treatment, to include workers made redundant before the reference period in the individualised measures, if their jobs were functionally linked to the same globalisation-induced event

**Secondly**, by making sure that the time available to prepare and implement the individual measures is adequate to ensure that re-integration into the labour market can actually be achieved. It is also proposed to increase the period of EGF assistance from **12 to 24 months** from the date of application.

**Thirdly**, in order to make the EGF co-funding more attractive to Member States it is proposed to increase the common intervention rate to bring into line with the Structural Funds.

**Fourthly**, by extending eligibility to workers who have been made redundant due to globalisation effects other than trade. These could be effects related to changing market conditions such as major innovations in global production and product technology, changes in organisation of production, access to and price of raw materials and other inputs, or to a more general disturbance of the economy brought about by globalisation.

**Fifthly**, the Commission is proposing to use technical assistance for preparation, monitoring, information, creation of a knowledge base relevant to the implementation of the EGF, administrative and technical support, audit, control and evaluation activities necessary to implement the Regulation.

**Sixthly**, the Commission is taking the opportunity offered by this proposed revision of the Regulation to add clarity concerning certain key definitions where these have caused uncertainty to applicants Member States.

The consultation has shown that a majority of Member States support these envisaged changes as set out in chapter 5 and annex 2.

It is clear that the use of the EGF to create jobs, training and opportunities for those European workers who are made redundant as a consequence of globalisation, and thus also the solidarity demonstrated by the Fund, can be increased within the current budgetary reserve of EUR 500 million. There is therefore no need to propose any change in this respect at present.

In the European Economic Recovery Plan the Commission has indicated that it will review the budgetary means available for the Fund in the light of the implementation of the revised Regulation.

## 5. IMPACT ANALYSIS

Following the preliminary screening the following Options have been examined:

- Option 1: "No change"
- Option 2: "No change plus improvements"
- Option 3: "Improvements and operational changes"
  - Variant A: **Trade**
  - Variant B: **Markets**
- Option 4: "Improvements and operational changes responding to a serious disturbance in the economy caused by globalisation".

Each Option will be assessed as to its social and economic impact. An assessment of the budgetary impact will be carried out.

As a financial instrument aimed at mitigating the negative effects of globalisation on the workers concerned, the EGF has no direct environmental impact. Therefore, the environmental impact is not assessed.

## 5.1. *Economic and social impact*

### 5.1.1 *Impact of Option 1 "No change"*

Under this Option, the EGF Regulation would continue to apply unchanged. The advantages of this Option relate to continuity, both in terms of the legislative framework for preparing, assessing and deciding EGF funding, and in terms of the practical aspects of implementation of EGF funded actions. The national and other authorities with EGF related responsibilities have by now become acquainted with – and understand how to use – EGF funding. The European Institutions have also by now established working procedures for most aspects of EGF management. Finally in the absence of any final reports and therefore documented concrete experience it would be premature to change the basic provisions of the Regulation.

The normal evolution of the Fund, from start-up to established instrument, may be expected to bring some improvements in its performance. The year 2007 was not a typical year for the Fund, as it only started its operations in January. The Member States had no previous experience to draw on and in some cases had to adjust their own internal procedures. Furthermore there was no carry-over of applications in the adOption pipeline from the previous year. Both 2007 and 2008 (Q1 and Q2) were particular in that there was an exceptionally low number of mass redundancy events. The number of cases with more than 1,000 redundancies in this period was only half of the average over the last six years in EU15. If the economic situation were the same as over the last six years, one would expect the number of EGF eligible events to double in 2009 and beyond. In addition, the economic prospects for the future are less favourable than those observed since 2002. Even without any additional action at EU level this is likely to lead to even more redundancies.

Views of Member States: A small number of Member States consider that the current EGF Regulation does not need to be modified at this stage.

Overview table – Option 1: "No change"

Objective to be achieved/problem to be addressed	Rating of impact against baseline scenario	Comments
Adapt the eligibility criteria to better reflect labour market characteristics	0	Existing thresholds continue to apply and workers dismissed before the reference period are not eligible
Increase the effectiveness of	0	Current intervention period



reintegration measures		continues to apply
Make co-funding from the EGF more attractive to Member States	0	No incentive for Member States to apply for EGF support in respect of less advantaged regions
Ensure equivalent treatment of all workers affected by developments in global markets	0	Only trade related redundancies are eligible
Improve the quality of applications and measures	0	Very limited access to technical assistance for the Commission
Provide legal certainty about undefined key elements in the current EGF Regulation.	0	Commission guidelines and FAQ cannot provide sufficient legal certainty

### 5.1.2 Impact of Option 2: "No change plus improvements"

Without any changes to the Regulation improvements could be achieved in the following ways as the Commission indicated in the EGF Annual Report for 2007:

- simplify procedures to respond quickly and clearly to Member States on the eligibility of their applications. The Commission will disseminate detailed information on the previous cases, successful or unsuccessful, in order to help Member States assess the criteria used by the EU Institutions in coming to their decisions. The Commission will examine ways of accelerating the processing of applications, streamlining its internal procedures while maintaining a high quality of analysis;
- review the application form and the information requirements for applications in order to reduce the administrative burden;
- make use of existing networks to promote interest in the EGF among potential stakeholders at national, regional and local levels and in civil society;
- clarify eligibility of the EGF in the services sector, for mobility allowances, (including intra-EU mobility) and micro-credits, and to ensure availability of reference material useful for preparing applications;
- promote exchange of experience and good practice, including the methodologies extensively tested through the ESF, and in particular the EQUAL Community Initiative. This could reduce delays arising in the Member States while they devise adequate measures for a large-scale redundancy crisis;
- intensify awareness-raising activities in order to achieve greater visibility of the Fund, and to reinforce the message that it applies to all economic sectors, and to all structural changes in world trade patterns.

There are, however, a number of drawbacks with this Option: Member States face difficulties in putting together applications because the EGF intervention criteria are more difficult to meet than originally thought (1000 redundancies in a 4- or 9-month period, links with changes in world trade and no resources for Commission departments Technical Assistance). Furthermore, the short funding period makes it difficult to provide actions which meet the needs of the workers concerned. These obstacles combine to make the EGF less effective as a financing instrument than had been intended by the legislator.

Views of Member States and social partners: The Commission departments asked whether such actions such as micro credits and mobility allowances should be actively promoted under the EGF as they have already been tested under ESF operations. Several Member States are in favour of using EGF funds for micro-credits as part of a broader package of measures. There are practical problems related to the use of micro-credits within the short implementation period of one year. No Member State opposed the use of micro-credits in the context of the EGF as a matter of principle.

On intra-Community mobility allowances several Member States replied that such measures can be seen as a normal part of the EGF and that they contribute to European integration. In the same way as for micro-credits, the use of such allowances is at the discretion of the Member State.

Member States raised several problems related to the practical administration of EGF funding. The delays between redundancies, submission of an application and payment of funds were mentioned by several Member States as serious and unacceptable problems. These delays cause uncertainties and resultant problems, such as the need to advance national funding and the difficulties to undertake the necessary public procurement before an EGF application has been formally approved.

Several Member States mention the fact that the management and control requirements for the EGF and the ESF are different, and that new procedures and structures were needed at national level.

Overview table – Option 2: *"No change plus improvements"*

Objective to be achieved/problem to be addressed	Rating of impact against baseline scenario	Comments
Adapt the eligibility criteria to better reflect labour market characteristics	0	Existing thresholds continue to apply and workers dismissed before the reference period are not eligible
Increase the effectiveness of reintegration measures	0	Current intervention period continues to apply
Make co-funding from the	0	No incentive for Member

EGF more attractive to Member States		States to apply for EGF support in respect of less advantaged regions
Ensure equivalent treatment of all workers affected by developments in global markets	0	Only trade related redundancies are eligible
Improve the quality of applications and measures	+	Promotion of exchange of experience and good practice, intensify awareness of EGF within a limited budget, highlighting not explicitly mentioned measures and sectors
Provide legal certainty about undefined key elements in the current EGF Regulation.	0	Commission guidelines and FAQ cannot provide sufficient legal certainty

### 5.1.3 *Impact of Option 3 "Improvements and operational changes, variant A: Trade"*

In Option 3 'variant A: Trade' the eligibility criterion continues to be changes in world trade patterns.

In this Option it is proposed to amend the EGF Regulation in the following ways to respond directly to the problems identified:

#### **1. Trigger number of redundancies**

Reduction of the trigger number of redundancies from 1000 to 500 workers. This reduction will increase the number of potential EGF events, both in terms of Article 2(a) cases (redundancies in a main enterprise and its suppliers and downstream producers) as well as in Article 2(b) cases (redundancies in a sector in a region). The reference periods (4 and 9 months respectively) would remain unchanged.

To illustrate the effects of this change, the table below gives the ERM figures (number of events and number of workers involved) for 2007 and the first half of 2008:

<b>ERM restructuring data</b>	<b>2007</b>	<b>2008 (1st half)</b>
Restructuring events :	573	282
- over 1000 redundancies	66	38
- over 500 redundancies	139	67

No. of workers made redundant in these restructuring events :	399,305	227,322
- of whom, in cases of > 1000 redundancies	264,846	166,150
- of whom, in cases of > 500 redundancies	314,347	184,695

The table shows that reducing the trigger from 1000 to 500 workers could double the number of potential EGF events and increase the coverage of redundant workers from 68 % to almost 80 %. Potentially, therefore, this amendment to the Regulation could lead to a significant increase in the number of EGF applications and to more workers being assisted to re-integrate into employment.

Views of the Member States and social partners: More than a half of the Member States are in favour of lowering the threshold to increase the number of mass redundancy events eligible.

### **2. Redundancies occurring before the start of the reference period**

This amendment would concern Article 2(a) cases where provision would be made for the inclusion of redundancies occurring before the start of the reference period, provided that they are clearly linked to the same restructuring event, and provided that the trigger number of redundancies is reached within the reference period. The effect of this amendment is likely to be very limited in terms of numbers but highly significant in terms of equal treatment of the workers concerned. Under the current Regulation, it is only possible to include workers made redundant within and after the reference period; this unequal treatment poses an inequity and discrimination problem and should be corrected.

Article 2(b) (sector cases in a region / two contiguous regions) is not concerned by this change.

Views of the Member States and social partners: According to Article 2(a) of the current Regulation, the eligibility threshold of 1,000 workers must be attained within a 4-month reference period. A large majority of Member States are in favour of including workers made redundant before this period so that they may be included for the purposes of EGF support measures, provided that a clear link can be established with the globalisation event.

### **3. Duration of implementation**

The time period allowed for implementation is extended from 12 to 24 months, as experience has shown that 12 months are not sufficient in many cases to bring most of the affected workers back into jobs. A longer period will make it possible to better match the training of the redundant workers to the skill needs and to labour market requirement, to assure longer time for the sound preparation and, if necessary, adaptation of the re-integration package and to help improve the gender balance of the action.

View of the Member States and social partners: Most Member States favour an extension to 18 or 24 months, while some Member States find the 12-month period appropriate.

#### 4. *Technical assistance (TA) budget*

The change seeks to clarify that the 0.35% for technical assistance mentioned in Article 8 of the current Regulation, applies to the maximum reserve of EUR 500 million available per annum, and not to the amounts actually committed for individual cases.

When presenting the annual EGF report each year, the Commission will also present its ideas for its activities to be funded under TA the following year. It will put forward a proposal for its planned activities, so as to ensure that the necessary amount is available at the start of the budgetary year, allowing the relevant commitments to be made at the start the year. It is proposed to broaden the scope of TA to include preparation (e.g. on-site visits during the pre-application phase) and awareness-raising.

Follow-up requests from the Commission for further amounts up to the ceiling (EUR 1.75 million) may be made subsequently if needed.

Views of the Member States and social partners: There is a high degree of consensus amongst Member States that TA should be available for forward-looking activities such as sector or horizontal analyses and studies of the effects of globalisation, because they may contribute to the preparation of more solid applications, lead to better understanding of the drivers of globalisation and to a better exchange of good practices amongst Member States.

Some Member States, while agreeing that forward looking activities should be pursued, do not consider the EGF to be the appropriate instrument for that purpose.

#### 5. *Definition of the "use" of the Fund*

Confirming the current implementation practice of the Fund, the Commission will specify that the Member State shall carry out all eligible actions included in the co-ordinated package of personalised services within the revised period of 24 months following the date of application.

#### 6. *Standard intervention rate*

The standard intervention rate is set to 50 % in the current Regulation. It is proposed to increase the EGF intervention rate to 75%, which is more in line with ESF intervention rates. This increase maintains the simplicity of the single intervention rate.

Views of the Member States and the social partners: The current intervention rate is up to 50 %. Most Member States indicated in their responses that they would prefer an increase of the rate up to 75 or 85%, or matching the rate to the ESF co-financing rates. One Member State favours a rate of 100 % in order to facilitate innovation, for which national co-funding might not be available; one Member State prefers a rate of 25% and some would keep the 50% rate.

During the stakeholder conference this question was discussed in some detail, and two important points were made: (i) there should be a single rate for reasons of simplicity; (ii) that the intervention rate should be raised above the current 50 %.

### ***Conclusion***

Option 3 'variant A: Trade' would allow a greater number of redundant workers to benefit from the Fund, and to benefit for a longer period. The impact would therefore be considerable in terms of solidarity and social inclusion. The longer period for the use of the funding would ensure that a higher percentage of workers would re-enter employment, and that their training could be better focused on the emerging jobs market. The employment impact of this would be considerable. Whilst this Option would make it possible to address most of the problems identified, it would not make it possible to ensure equal treatment for workers made redundant as a result of major changes in world markets, such as changes in production and product technology, changes in the organisation of production (such as company outsourcing) and the access to, and price of raw materials and other inputs.

Overview table – Option 3: "*Improvements and operational changes – Variant A: Trade*"

Objective to be achieved/problem to be addressed	Rating of impact against baseline scenario	Comments
Adapt the eligibility criteria to better reflect labour market characteristics	+	Lower threshold will contribute to increased coverage and discriminatory treatment of workers dismissed before the reference period will be eliminated
Increase the effectiveness of reintegration measures	++	Longer intervention period will contribute to higher placement rates
Make co-funding from the EGF more attractive to Member States	++	Higher intervention rate will increase recourse to the EGF amongst less advantaged regions
Ensure equivalent treatment of all workers affected by developments in global markets	0	Only trade related redundancies are eligible
Improve the quality of applications and measures	++	Promotion of exchange of experience and good practice, intensify awareness of EGF with more certainty about availability of financial means, highlighting not explicitly mentioned measures and sectors
Provide legal certainty about undefined key elements in the current EGF Regulation.	+	Inclusion of the missing definitions in the legal body of the Regulation

5.1.4. *Impact of Option 3 "Improvements and operational changes, variant B: Markets".*

Option 3 'variant B: Markets' is identical to Option 3 'variant A: Trade' with one difference: eligibility is expanded from major changes **in world trade patterns** to include also major changes **in world markets**, such as changes in production and product technology, changes in the organisation of production (such as company

outsourcing) and the access to, and price of, raw materials and other inputs and the speed with which this happens.

The EGF would continue to be targeted to helping redundant workers who lost their jobs due to changes in trade, but the scope of the Fund would expand to encompass also those affected by events which fall under a more comprehensive concept of globalisation. Such changes may lead to new world trade patterns in time and would constitute an element of pro-activeness in the EGF. It would furthermore correspond much better to the public concept of globalisation, which to most Europeans is much more than just a matter of trade statistics.

In the Communication on the EGF Annual Report, adopted on 2 July 2008, the Commission indicated that it would examine this issue.

This extension has several consequences:

Firstly, on world markets where EU enterprises sell goods and services, technological change may lead to a dramatic decline in EU sales – and to redundancies – even if EU market shares remain stable. Take the example of the introduction of digital photography: within a few years, the consumer markets for emulsifier films (and much of the photo paper demand) have disappeared. The market decline was felt by all major operators in Europe and elsewhere, and although the European market share did not fall, employment in the industry did. Similar effects may be identified in markets for consumer electronics; or for mobile phones following the integration of phone, camera, GPS, TV and net access into one application. The proposed change to "markets" will make it possible to provide EGF support in such cases.

Secondly, changes in trade in raw materials, energy, commodities or other inputs for EU enterprises are largely outside the focus of the existing EGF Regulation, and redundancies caused in Europe because of rapidly increasing prices or diminishing supplies of input cannot easily be covered. With the amendment to include "markets" in the intervention criteria these situations would become potentially eligible EGF events of globalisation. It should also be noted that Member States could present EGF applications based on their specific knowledge of the relevant market rather than relying on trade statistics which may not (yet) be available or able in all cases to give the correct picture because of small trading volumes.

Thirdly, globalisation also concerns the way in which enterprises organise their work and how that organisation changes over time, again more rapidly than before. Company outsourcing of specific functions, not only to low income areas, but also to provide 24/24 services e.g. through call centres located around the globe, the use of tele-working over long distances, and the breaking up of operations into profit centres are also results of globalisation, which are not picked up by trade statistics in the short run. The EGF should be available to offer support in such cases.

It would in every case be up to the Member State to provide an analysis of the link between the major structural changes in world markets and the redundancies covered by an application. The supporting data can be trade statistics as now, but also market information data from business organisations, market observers, analysts and professional organisations. The applications will continue to be assessed on a case-



by-case basis by the Commission and the appropriate proposals made for financing to the Budgetary Authority.

This Option extends the benefits into a wider field, and thus both social and employment impacts would be expected to increase proportionately. However it is not at present possible to give any quantitative forecast based on analysis of existing data. The numbers of recorded restructuring events in 2007-2008 (1<sup>st</sup> half) (see point 5.1.3) clearly leave room for some events related to market changes, whatever trigger number of redundancies is considered.

Views of the Member States and social partners: Several Member States would welcome broadening the EGF eligibility criteria to cover a wider range of changes (going beyond, but also including changes in trade); in this way the EGF would be better in line with a concept of "globalisation" that acknowledges its multi-faceted character. Others preferred to remain with the current trade related criterion, quoting in particular data availability as an important issue.

Overview table – Option 3: *"Improvements and operational changes – Variant B: Markets"*

Objective to be achieved/problem to be addressed	Rating of impact against baseline scenario	Comments
Adapt the eligibility criteria to better reflect labour market characteristics	+	Lower threshold will contribute to increased coverage and discriminatory treatment of workers dismissed before the reference period will be eliminated
Increase the effectiveness of reintegration measures	++	Longer intervention period will contribute to higher placement rates
Make co-funding from the EGF more attractive to Member States	++	Higher intervention rate will increase recourse to the EGF amongst less advantaged regions
Ensure equivalent treatment of all workers affected by developments in global markets	+	Redundancies caused by other aspects of globalisation become eligible
Improve the quality of applications and measures	++	Promotion of exchange of experience and good practice, intensify awareness of EGF with more certainty about

		availability of financial means, highlighting not explicitly mentioned measures and sectors
Provide legal certainty about undefined key elements in the current EGF Regulation.	+	Inclusion of the missing definitions in the legal body of the Regulation

5.1.5. *Impact of Option 4 "Improvements and operational changes responding to a serious disturbance in the economy caused by globalisation".*

This Option is identical to Option 3.B Markets but expands the scope of the EGF even further to cover workers made redundant as a result of a serious disturbance in the economy due to globalisation. It responds directly to the need identified by the Commission to support redundant workers in the face of the crisis. It also has all the characteristics described in detail above; in addition this Option enables the EGF to respond to redundancies which are not directly attributable to specific events in trading patterns or market developments, or to any specific sectors of the economy. In this way Option 4 is more in line with the provision of the Regulation which establishes in Article 20 that the present review should ensure that the EGF provisions adequately take into account the economic and social characteristics of all Member States.

Overview table – Option 4: " Improvements and operational changes responding to a serious disturbance in the economy caused by globalisation".

Objective to be achieved/problem to be addressed	Rating of impact against baseline scenario	Comments
Adapt the eligibility criteria to better reflect labour market characteristics	+	Lower threshold will contribute to increased coverage, and to the elimination of discriminatory treatment of workers dismissed before the reference period
Increase the effectiveness of reintegration measures	++	Longer intervention period will contribute to higher placement rates
Make co-funding from the EGF more attractive to Member States	++	Higher intervention rate will increase recourse to the EGF in less advantaged regions
Ensure equivalent treatment of all workers affected by developments in global	++	Redundancies caused by any external disturbance become eligible regardless of sector

markets		or trade indicators
Improve the quality of applications and measures	++	Promotion of exchange of experience and good practice, intensify awareness of EGF with more certainty about availability of financial means, highlighting not explicitly mentioned measures and sectors
Provide legal certainty about undefined key elements in the current EGF Regulation.	+	Inclusion of the missing definitions in the legal body of the Regulation

## 5.2 *The budgetary impact*

**Options 1 and 2** are unlikely to lead to any structural increases in the EGF budget deployed.

However, for these two Options the budget use will depend critically on the number of future restructuring cases and the propensity of Member States to apply for assistance. As mentioned before, the years of activity of the EGF (2007 and 2008) were exceptional in that only very few cases of mass redundancies occurred (see table in annex 3). As pointed out in 5.1.1, in a normal year one would expect an 80% increase of the number of cases as in these two years, which will be reflected in the likely call on the budget.

The ERM data would indicate that by lowering the threshold from 1000 redundancies to 500 would increase the number of potential cases by a factor of 2, i.e. bring twice the number of cases into eligibility as would be the case without the change. As can be seen from the table in chapter 5.1.3, a corresponding increase in the potential number of workers covered can be estimated at about 20 %.

Statistics made available by the French authorities in their final report on the PSA case show that 41% of supported workers did not find any placement within the current 12-month intervention period and we can assume that this proportion would have progressively decreased over the proposed 12 additional months of implementation. Therefore, extending the maximum intervention period from 12 to 24 months to provide longer support for workers who cannot be placed within the present intervention period is likely to increase the budget requested for a typical intervention by 25%.

Implementing a higher funding rate from 50% to 75% would lead to another 50% increase of the annual amount spent to support workers.

Extending the criterion to include market changes could add a potential extra number of cases of about 30 % over and above the "Trade" Option.

Starting from the current annual level of about EUR 35 million in applications and taking into account that 2007 and 2008 are years with exceptionally low mass

redundancy events, in Option 3 'variant A: Trade', the lowering of the threshold from 1000 to 500 redundancies, coupled with the extension of the implementation period and the raising of the intervention rate, could potentially increase this volume to an estimated amount of EUR 141 million.

The widening of eligibility under Option 3 'variant B: Market' could increase this estimate to a figure around EUR 183 million.

The widening of eligibility under Option 4 has not been separately estimated; it is at least as important as the previous Option (because it covers all the same potential redundancies and more). The budgetary maximum of EUR 500 million will be respected.

These figures indicate that the EGF would still be able to face the increased demands resulting from prolonged adverse economic conditions for European industry.

#### Overview table of budgetary impact

	Estimated budgetary impact	Estimated cumulative Budget
Average EGF budget for 2007 and 2008		EUR 35 million
Higher uptake due to 'normal' year	+80%	EUR 63 million
Eligibility threshold lowered from 1,000 to 500 worker	+20%	EUR 75 million
Intervention period extended from 12 to 24 months	+ 25%	EUR 94 million
Funding rate increased from 50% to 75%	+ 50%	EUR 141 million
EGF scope enlarged to changes in world markets	+ 30%	EUR 183 million
EGF scope enlarged to "economic disturbance"	Not estimated	Up to EUR 500 million

## 6. COMPARING THE OPTIONS

### 6.1. Effectiveness

The principle of effectiveness concerns achieving the intended results of the action. The intended result for the EGF is to assist workers made redundant as a result of globalisation to re-integrate into employment. Both variants of Option 3 have the potential to reach more workers and address more globalisation events than under the unchanged scenario under Option 1. Furthermore, both variants of Option 3 and Option 4 give the labour market authorities more time to fine tune the package of

individualised services offered to each redundant worker, ensure that the package meets the real needs of the worker concerned, and implement it until quality results are achieved.

## 6.2. *Added value for the EU*

The EGF was created to enable the Community to provide support for workers made redundant as a result of major structural changes in world trade patterns. Under Options 1, 2 and 3 "Trade", changes in world trade continue to be the focus of EGF actions. Under Option 3 "Market", which itself includes changes in world trade, as well as under Option 4, other globalisation events leading to redundancies can also be included. In all 4 cases, the EGF allows the Community to show its solidarity with the workers concerned, and therefore represents a clear added value for the EU. By concentrating on cases with a European dimension and by complementing measures of the Member States, Community actions are clearly additional to the efforts made at national, regional and local levels.

By limiting the proposed amendments to those required to achieve the specific policy objectives of making the EGF a better performing and more flexible instrument, the principle of proportionality is respected.

In respect of the principle of subsidiarity, the Member States continue under all three Options to hold the same role as today vis-à-vis the EGF: they design and present the applications for EGF assistance and define, in the application, the nature and range of active measures to be included; moreover, they remain responsible for the implementation of measures.

## 6.3. *Budgetary constraints*

The basic assumption for all 4 Options under examination is to remain within the current budgetary reserve of EUR 500 million per year. Therefore, budgetary constraints are not relevant for any of the 4 Options.

## 6.4. *Comparison of Options against the objectives.*

The following table compares the three Options against the operational objectives:

Objective to be achieved/problem to be addressed	Option 1	Option 2	Option 3- Variant A	Option 3- Variant B	Option 4
Adapt the eligibility criteria to better reflect labour market characteristics	0	0	+	+	+
Increase the effectiveness of reintegration measures	0	0	++	++	++
Make co-funding from the EGF more attractive to Member States	0	0	++	++	++

Ensure equivalent treatment of all workers affected by developments in global markets	0	0	0	+	++
Improve the quality of applications and measures	0	+	++	++	++
Provide legal certainty about undefined key elements in the current EGF Regulation.	0	0	+	+	+

### 6.5. Conclusion

Of the two variants Trade and Markets in Option 3 the "Markets" variant appears to be the one that best expands eligibility for EGF assistance without breaking the link between the EGF and changes in world trade patterns, as trade-related redundancies continue to be eligible; the market-related events becoming eligible under Option 3 Markets could lead to future changes in world trade patterns and thus add a prospective element to the EGF. This is also the case under Option 4.

From the analysis above, it appears that Option 4 – "Improvements and operational changes responding to a serious disturbance in the economy caused by globalisation" – provides all the benefits of Options 1 and 2 and 3, both variants, and in addition can lead to more affected workers receiving assistance from the EGF. Option 4 is therefore considered to better fulfil the objectives of responsiveness and of solidarity in as much as it makes support available to more redundant workers.

## 7. MONITORING AND EVALUATION

The EGF Regulation in its Article 16 provides that the Commission shall present each year to the European Parliament and the Council a quantitative and qualitative report on the activities carried out under the EGF Regulation in the previous year. This report contains inter alia the Commission's observations on its monitoring activities during the year in question.

Under Article 17 of the EGF Regulation, the Commission is required to carry out by 31 December 2011, in close cooperation with Member States, a mid-term evaluation of the effectiveness and sustainability of the results obtained under the EGF. Member States have already made a commitment to provide information on individual beneficiaries for the purpose of the evaluation. For this reason policy Options 3 and 4 entail no extra procedural burdens in terms of monitoring and evaluation. By 31 December 2014, the Commission is required to carry out, with the assistance of external experts, an ex-post evaluation in order to measure the impact of the EGF and its added value.

In addition to the formal evaluation arrangements, the Commission departments will continue to monitor the main indicator (number of workers reinserted into employment) on the basis of final reports received from the Member States.



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**COMMUNICATION FROM THE COMMISSION  
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

**Solidarity in the face of Change:  
The European Globalisation Adjustment Fund (EGF) in 2007 - Review and Prospects**

## COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

### **Solidarity in the face of Change: The European Globalisation Adjustment Fund (EGF) in 2007<sup>10</sup> - Review and Prospects**

#### *The EGF one year on*

One of the main themes of the Renewed Social Agenda<sup>11</sup> is responding flexibly and confidently to change brought about by globalisation. Part of that response includes showing solidarity to those who are negatively affected by globalisation. The European Globalisation Adjustment Fund (EGF) was designed as one way to show solidarity – to help workers made redundant by globalisation to find a new job quickly. Following the adoption of Regulation (EC) No. 1927/2006 by the European Parliament and Council on 20 December 2006, the EGF became operational from 1 January 2007.

This Communication reviews the EGF after one year in operation and makes suggestions as to immediate and longer term ways to improve its performance.

#### *Helping workers to adjust to change*

The EGF received ten applications in 2007 targeting 11,339 workers. Four applications were approved by the Commission before the end of 2007, following mobilisation of the necessary funds by the EU Budgetary Authority; five remained under consideration, and one was withdrawn (to be re-submitted at the beginning of 2008 after some technical modifications). The EGF granted assistance amounting to €18.6 million or 3.7% of the maximum amount allowed under the Interinstitutional Agreement on budgetary discipline and sound financial management<sup>12</sup>. The funds were used for active labour market measures for the 5,113 workers concerned. The details for the year 2007 of the applications and decisions made, and the actions funded, can be found in the annex to this report.

The maximum annual amount of €500 million per year is not an expenditure target. Rather, it is entered in the budget reserve and provides for the possibility of adequate funding, should there be a high incidence of restructuring in any given year. The commitment appropriations necessary for each intervention are mobilised by means of transfer to the EGF budget line, following agreement of the Budgetary Authority upon proposal from the Commission.

That being said, take-up is limited. There are various reasons for this. It is partly due to the favourable economic climate in 2007. It is natural that the Member States did not apply for support in a period when labour markets were working well. But the limited take-up could also reflect Member State uncertainty about eligibility for funding. Although the EGF can

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<sup>10</sup> Report submitted under Article 16 of Regulation (EC) No. 1927/2006 (OJ L 406, 30.12.2006, p. 1, Regulation as corrected in OJ L 48, 22.02.2008, p. 82)

<sup>11</sup> COM(2008) 412 of 02.07.2008

<sup>12</sup> Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (2006/C 139/01). OJ C139, 14.6.2006, p.1; Agreement as amended by the Decision of the European Parliament and of the Council of 18 December 2007 amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regards the multiannual financial framework (2008/29/EC). OJ L6, 10.1.2008, p. 7-8.



intervene immediately once workers are made redundant, the Member States have been hesitant to apply for EGF funding right from the first day of the redundancy crises because of uncertainty over whether or not their application would be approved.

Hence, there is room for improvement in EGF performance.

### ***Improving the current operation of the EGF***

Immediate steps can be taken to improve the operation of the EGF:

- Simplify procedures: The Commission will simplify its procedures to respond quickly and clearly to Member States on the eligibility of their applications<sup>13</sup>. It will also disseminate detailed information on the previous cases, successful or unsuccessful, in order to help Member States assess the criteria used by the EU Institutions in coming to their decisions. The Commission will examine ways to accelerate the processing of applications, streamlining its internal procedures while maintaining a high quality of analysis.
- Promoting exchange of experience and good practice, including the methodologies extensively tested through the ESF, and in particular the EQUAL Community Initiative. This can reduce delays arising in the Member States while they devise adequate measures for a large-scale redundancy crisis. A commendable example is the approach used by Portugal, where a Ministerial Decision adopted a set of measures which can be drawn on at short notice in typical EGF cases.
- Intensify awareness-raising activities in order to achieve greater visibility of the Fund.

### ***Looking to the future - adjusting the EGF Regulation***

In the light of experience, with a view to reinforcing the impact of the EGF on the creation of jobs, training and opportunities for Europe's workers, the Commission is actively examining ways in which the Fund could be modified, within the present budgetary limits, so as to improve its performance.

The EGF Regulation (in its Article 20) indeed provides that the Commission may submit a proposal, on the basis of the first annual report, for the European Parliament and the Council to review the Regulation.

#### Covering redundancies not directly attributable to changes in trade patterns:

The EGF focuses on redundancies caused by major structural changes in global trade patterns. Globalisation may also work through other types of structural change. Such changes include major progress in production and product technology; changes in the organisation of production (such as company outsourcing); and the access to, and price of, raw materials and other inputs. This is particularly illustrated by recent increases in oil prices and their impact on sectors where fuel inputs represent a high cost factor. Such major and abrupt changes may lead to redundancies which cannot be covered by the existing Regulation. The Commission

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<sup>13</sup> Including: the definition of a redundancy (Article 1 of the EGF Regulation); the interpretation to give to criteria such as 'a substantial increase' or 'a rapid decline' (Article 2); the definition of small labour markets and exceptional circumstances (Article 2); the precise meaning of the 'use' of a financial contribution (Article 13.2).

will examine these drivers of globalisation to see if they could be considered triggers for EGF support.

#### Expanding the scope of the EGF to smaller redundancy events:

The general requirement of at least 1,000 redundancies could be reduced in order to give more flexibility to Member States to present applications, including for SMEs and isolated labour markets<sup>14</sup>. The Commission is analysing the implications of reducing this threshold on numbers of eligible persons and the budget. A possible alternative to reducing the existing threshold could be to include not just the redundancies in the suppliers or downstream producers of the main company in question but also other redundancies in other companies in the concerned geographical area.

#### Expanding the duration of EGF assistance:

As not all workers who lose jobs find employment during the period of EGF support, there is a need for longer term support. Consideration could be given to extending the maximum period for the use of EGF funding beyond the 12 months specified in the current regulation. Other possibilities such as using the EGF to foster mobility of workers between Member States are also being examined. Consideration might also be given to devoting a limited amount of funds to analysis and anticipation of the changes due to globalisation.

#### ***Conclusion***

The Commission invites the European Parliament and the Council to take note of the positive impact of the EGF in its first year of operation. The Commission will simplify procedures, promote exchange of good practice and intensify awareness-raising about the EGF. It will assess the feasibility of modifying the Regulation and will make appropriate proposals in this regard before issuing the next annual report.

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<sup>14</sup> The report "*l'Europe dans la mondialisation*" presented to the French Ministers for the Economy, Industry and Employment, and for Work, Social Relations, Family and Solidarity, and published on 15 April 2008, alluded to such a possibility.

## ANNEX

### 1. Applications received in 2007

Table 1: Applications received in 2007

	Date of application	Member State	Firm, sector or region affected	Number of workers affected	Workers targeted for assistance	EGF support requested (Euro)	Intervention criterion (Art. 2 of R. 1927/2006)
1	9/3/2007	France	Suppliers to Peugeot-Citroën	1,345	267	2,558,250	Art. 2 (a)
2	23/3/2007	France	Suppliers to Renault	1,057	628	1,258,030	Art. 2 (a)
3	27/6/2007	Germany	BenQ	3,303	3,303	12,766,150	Art. 2 (a)
4	18/7/2007	Finland	Perlos	915	915	2,028,538	Art. 2 (c)
5	9/8/2007	Italy	Textile sector in Sardinia	1,044	1,044	12,038,700	Art. 2 (b)
6	10/8/2007	Italy	Textile sector in Piedmont	1,537	1,537	9,286,850	Art. 2 (b)
7	17/8/2007	Italy	Textile sector in Lombardy	1,848	1,848	14,660,750	Art. 2 (b)
8	12/9/2007	Malta	Textile sector	675	675	681,207	Art. 2 (c)
9	8/10/2007 (withdrawn)	Spain	Delphi				
10	9/10/2007	Portugal	Automobile sector in Lisboa-Alentejo	1,549	1,122	2,425,675	Art. 2 (b)
<i>Total</i>				<i>13,273</i>	<i>11,339</i>	<i>57,704,150</i>	

Of the 10 applications for assistance received by the EGF in 2007, four were approved before the end of the year, five remained under consideration, and one was withdrawn (to be re-submitted at the beginning of 2008 after some technical modifications).

No applications were refused in 2007, either on grounds of ineligibility or due to a lack of sufficient appropriations.

Details of all applications are available on the Commission's EGF web site, at:

[http://ec.europa.eu/employment\\_social/egf/applications07\\_en.html](http://ec.europa.eu/employment_social/egf/applications07_en.html)

*EGF Applications in 2007 per Member State:*

Seven Member States applied for a contribution from the EGF, including Italy in respect of the textile sector in three separate regions, and France in respect of two separate redundancy events. The application from Spain was withdrawn and subsequently re-submitted in 2008.

*EGF Applications in 2007 by the amount of contribution requested:*

The amount of assistance requested is at the discretion of the applicant Member State, and depends inter alia upon the severity of the redundancy event to which the application refers. There is no recommended or maximum amount. The requested amounts range from €681,207 in the Maltese application (EGF/2007/008) to € 14,660,750 in the Italian application in respect of the textile sector in Lombardy (EGF/2007/007).

*EGF Applications in 2007 by the number of workers targeted for assistance:*

Although the EGF is designed primarily to assist in cases of large-scale redundancies, Member States may also make applications in respect of small labour markets or exceptional circumstances. Furthermore, a Member State may choose to focus the assistance on only some of the redundant workers, if it feels that these face exceptional difficulties in remaining in employment. While most applications (5 out of 9) target over 1,000 workers, two others concerning 'small labour markets' target a smaller number, and in the case of the two contributions granted to France (EGF/2007/001 and EGF/2007/002), the Member State specifically aimed the assistance at a sub-set of the workers affected, whose employer had gone bankrupt.

*EGF Applications in 2007 by the amount of contribution requested per worker (Euro):*

The package of individualised services that the applicant Member States propose to offer is at their discretion. The amount requested per worker affected can therefore vary according to the severity of the redundancy event, the labour market situation in the region affected, the individual circumstances of the workers affected, or even the general cost structures in the Member State or region concerned. In practice, the amounts proposed per worker have varied greatly, from just over €1,000 in the case of Malta (EGF/2007/008) up to over €11,000 in the case of the Italian application in respect of the textile sector in Sardinia. In general terms, the assistance proposed per worker tends to be higher in regions, or sectors, in which the workers face particular labour market problems, or in which the costs are higher than the EU average.

*EGF Applications in 2007 by intervention criteria:*

The EGF permits applications that respect one of the three criteria in Article 2 of Regulation (EC) No. 1927/2006. An application may be made if major structural changes in world trade patterns lead to a serious economic disruption, notably a substantial increase of imports into the EU, or a rapid decline of the EU market share in a given sector or a delocalisation to third countries, resulting in:

- (a) at least 1,000 redundancies over a period of 4 months in an enterprise in a Member State, including workers made redundant in its suppliers or downstream producers, or

- (b) at least 1,000 redundancies, over a period of 9 months, particularly in small or medium-sized enterprises, in a NACE 2 sector in one region or two contiguous regions at NUTS II level.

Three of the applications received in 2007 cited the criteria of Article 2(a). Four more cited the criteria of Article 2(b).

In addition, taking into account the small size of some EU labour markets, or other undefined exceptional circumstances, an EGF contribution may be made;

- (c) in small labour markets or in exceptional circumstances, duly substantiated by the Member State(s) concerned, even if the conditions set out in (a) and (b) above are not entirely met, when redundancies have a serious impact on employment and the local economy.

Two of the applications received in 2007 cited the criteria of Article 2(c).

## 2. Contributions granted in 2007

Following mobilisation of the necessary funds by the Budgetary Authority, the Commission took decisions to award financial contributions from the Fund in the following four cases:

Table 2: Contributions granted by the Commission in 2007

EGF number	Member State	Case	Amount granted (Euro)	Decision of the Budgetary Authority	Financing Decision of the Commission
EGF/2007/001	France	Suppliers to PSA	2,558,250	2007/726/EC of 23/10/2007 (OJ L 294, 13/11/2007, p.21)	C (2007) 6150 of 4/12/2007
EGF/2007/002	France	Suppliers to Renault	1,258,030	2007/726/EC of 23/10/2007 (OJ L 294, 13/11/2007, p.21)	C (2007) 6149 of 4/12/2007
EGF/2007/003	Germany	BenQ	12,766,150	2008/30/EC of 18/12/2007 (OJ L 6, 10/01/2008, p. 9)	C (2007) 6747 of 18/12/2007
EGF/2007/004	Finland	Perlos	2,028,538	2008/30/EC of 18/12/2007 (OJ L 6, 10/01/2008, p. 9)	C (2007) 6742 of 18/12/2007

<i>Total</i>	<i>18,610,968</i>		
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The Budgetary Authority did not reject any proposal put to it by the Commission for funding from the EGF, and did not modify in any way the proposals as submitted by the Commission.

### 3. Actions funded

The EGF Regulation limits the Fund to financing Active Labour Market Policy (ALMP) measures that form part of a coordinated package of personalised services designed to reintegrate redundant workers into the labour market. In addition, the EGF may finance Technical Assistance activities carried out by the Member State to facilitate the preparation, management, information and publicity, and control of the contribution.

The breakdown of the estimated costs of the proposed actions in the four EGF interventions granted in 2007, along with their supporting Technical Assistance activities, is as below.

Table 3: Expenditure of specific Active Labour Market Policy measures

Eurostat Classification of Labour Market Policy (LMP) Interventions		EGF Amount (Euro)	% of total
<i>LMP services</i>			
1	Job-search assistance		
1.1.2	Individual case-management services	306,623	1.6%
<i>LMP measures</i>			
2	Labour market (re-)training		
2.1	Institutional training	2,715,632	14.6%
	Training allowances/Job search allowances	13,476,688	72.4%
4	Employment incentives		
4.1	Recruitment incentives	821,050	4.4%
4.2	Employment maintenance incentives	325,000	1.7%
7	Start-up incentives	326,475	1.8%
Technical Assistance (Article 3 of R. 1927/2006)		639,500	3.4%
<b>Total</b>		<b>18,610,968</b>	<b>100%</b>

Measures not shown above were not proposed by the Member States in the four EGF interventions granted in 2007.

### 4. Profile of the workers benefiting from EGF assistance

A total of 5,113 workers have benefited from assistance from the EGF in the four contributions granted in 2007. These workers are spread across a number of regions of France, Germany and Finland.

Table 4: Profile of the workers benefiting from EGF assistance in 2007

	EGF/2007/001 PSA (France)	EGF/2007/002 RSA (France)	EGF/2007/003 BenQ (Germany)	EGF/2007/004 Perlos (Finland)	Total
Total workers targeted for assistance	267	628	3,303	915	5,113
of which: women	41	155	797	302	1,295
%	15%	25%	24%	33%	25%
of which: non-EU citizens	0	5	91	0	96
of which, aged:					
15-24	2	15	34	91	142
25-54	236	553	3,149	787	4,725
55-64	29	60	121	37	247
65+	0	0	0	0	0
of which, with a long-standing health problem or disability	4	49	n/a	50	103

## 5. Complementarity with actions funded by the Structural Funds, notably the ESF

The EGF funds only Active Labour Market Measures and, like the ESF, cannot contribute to passive social protection measures. However, while the Structural Funds consist of multi-annual programmes in support of strategic, long-term goals – notably anticipation and management of change and restructuring, with activities such as life-long-learning – the EGF is a response to a specific, large-scale crisis. Thus, while its actions are similar to those of the ESF, it provides one-off, time-limited individual support, geared directly to helping workers who have suffered trade-related redundancies. Member States can start to implement actions under the EGF immediately upon learning of a major redundancy event, and therefore do not have to change an existing Structural Fund programme in order to do so.

Member States are encouraged, however, to use the period of implementation of the EGF contribution (12 months from the date of application) to assess the longer-term needs caused by the redundancy event, and to modify any ESF programmes necessary.

All applicants are required, as part of the application process for the EGF, to describe how they intend to promote the complementarity of the EGF actions with those of the Structural Funds.



## 6. Results achieved

2007 was the first year of implementation of the EGF. The principal source of information on results achieved by the EGF will be the final report to be presented by the Member State after the end of the period specified for the use of the contribution, which is twelve months from the date of application. This final report must be submitted by the Member States no later than six months after the end of the period of use of the contribution. None of the Final Reports in respect of contributions granted in 2007 were due during 2007, and thus the Commission has as yet no detailed information on the results obtained.

Table 5: The reporting timetable for the contributions granted in 2007

	Date of application	Member State	Contribution granted	End of 12 month period for use of the contribution	Deadline for Final Report
1	9/3/2007	France	23/10/2007	8/3/2008	8/9/2008
2	23/3/2007	France	23/10/2007	22/3/2008	22/9/2008
3	27/6/2007	Germany	18/12/2007	26/6/2008	26/12/2008
4	18/7/2007	Finland	18/12/2007	17/7/2008	17/1/2009

The Commission will wind up the financial contribution no later than six months after it has received all of the information required in the Final Report.

## 7. Technical Assistance activities undertaken by the European Commission

### *Information and publicity*

Regulation (EC) No. 1927/2006 (Article 9) places a responsibility on the Commission to:

*"set up an Internet site, available in all Community languages, to provide information on the EGF, guidance on the submission of applications, as well as updated information on accepted and refused applications, highlighting the role of the budgetary authority."*

### Internet site

The internet site (<http://ec.europa.eu/egf>) has been operational since March 2007, and contains sections on basic questions and answers about the EGF, news, key documents, applications, a library of relevant reports and links, and details of the EGF responsible authorities in the Member States. The website was updated and improved on a regular basis, with documents in different languages being added as they became available.

### EGF video

In 2007 the Commission released a video on the EGF for the use of the media, and other interested parties. The nine minute video includes coverage of the French and Finnish EGF activities, and can be viewed at:

[http://ec.europa.eu/avservices/video/video\\_prod\\_en.cfm?type=detail&prodid=4097](http://ec.europa.eu/avservices/video/video_prod_en.cfm?type=detail&prodid=4097)

## Leaflet

In 2007 the Commission published an information leaflet on the EGF in 22 languages (all official languages apart from Irish). This leaflet is available in limited quantities on paper, but is also freely available on the Commission's EGF internet site, at:

[http://ec.europa.eu/employment\\_social/egf/docs/egf\\_leaflet\\_en.pdf](http://ec.europa.eu/employment_social/egf/docs/egf_leaflet_en.pdf)

(for other languages the 'en' can be replaced with the relevant two-letter code).

## *Audit and control activities*

There were no specifically EGF audit or control activities carried out by the Commission in 2007.

## *Evaluation*

The EGF Regulation does not provide for an evaluation of the EGF until 31 December 2011. The Commission has already taken steps to ensure that appropriate information is gathered by the Member States from the start of the EGF.

## *Meetings with the National Authorities*

At the start of 2007 the Commission established a network of contact points in the Member States, in order to assist the Member States to prepare for potential applications as well as the implementation of the Fund. The network is registered formally as the 'Expert group on Contact Persons of the European Globalisation Adjustment Fund', or in short, the 'EGF Contact Persons' (code E02100).

The Commission regularly updates the members of the group on the Fund, and invites them to meetings for exchanges of experience and information. The members of the group are officials within the ministries in the Member States that either have, or are likely to have, responsibility for applying for or implementing a contribution from the EGF.

Two meetings of the group were held in Brussels during 2007, on 1 March and 9 October.

## **8. Financial report**

### *Funds contributed*

Under the Interinstitutional Agreement of 17 May 2006, the EGF may not exceed a maximum annual amount of EUR 500 million (2006 prices) which can be drawn from any margin existing under the global expenditure ceiling of the previous year, and/or from cancelled commitment appropriations from the previous two years, excluding those related to heading 1B of the financial framework. In addition, under Article 12.6 of Regulation (EC) No. 1927/2006, at least one quarter of the annual maximum amount must remain available on 1 September of each year in order to cover needs arising until the end of the year.

During 2007 four EGF contributions were granted by the Budgetary Authority (see Table 2).

The funds granted by the Budgetary Authority represent 3.72% of the maximum annual amount. No contributions were granted before 1 September 2007, and therefore the entire amount remained available in order to cover needs arising until the end of the year.

### *Reimbursements*

There were no reimbursements made during 2007.

### *Technical assistance expenditure*

There was no expenditure during 2007 under the Technical Assistance provisions of Article 8 of Regulation (EC) No. 1927/2006, as the relevant budget line had not yet been created.

### *Irregularities reported during 2007*

There were no irregularities reported to the Commission under Commission Regulation (EC) No 1681/94<sup>15</sup> during 2007 in respect of the EGF.

### *Irregularities closed during 2007*

As 2007 was the first year of operation of the EGF, there were no irregularities from previous years to be closed.

## **9. Winding up of financial contributions made**

None of the contributions granted since the start of the EGF were wound up in 2007. The Regulation governing the EGF provides for a period of twelve months from the date of application for the Member State to use the contribution, followed by a maximum of six months in which it must present a report on the execution of the financial contribution. Only after receiving that report may the Commission proceed to wind up the contribution. Expenditure on the first contribution granted by the Budgetary Authority, which relates to the application EGF/2007/001 made on 9 March 2007 by France, was eligible until 8 March 2008, and France then has until 8 September 2008 to present its final report.

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<sup>15</sup> Commission Regulation (EC) No 1681/94 of 11 July 1994 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the structural policies and the organization of an information system in this field OJ L 178, 12/07/1994 p. 43

## Overview of opinions expressed by experts from the Member States:

		Member States in favour	Member States opposed	No response
Q1:	Do you consider that other factors, such as technological changes, the changing costs of inputs, etc., which lead to major structural changes in world markets including trade, should be included as the basis for making applications to the EGF by your Member State (ref: Annual Report of the EGF, 2007, page 2)?	BG, CZ, IE, EL, ES, FR, LV, HU, MT, AT, PL, PT, RO, FI	DK, DE, LT, NL, SK, SE, UK	BE, EE, IT, KY, LU, SL
Q2a:	How many cases of mass redundancy in an enterprise (more than 1000 job losses; more than 500 job losses within 4 months) occurred in your Member State between 01 January 2007 and 30 June 2008?	--	--	--
Q2b:	How many cases of concentrated redundancies in a sector (more than 1000 job losses; more than 500 job losses within 9 months) occurred in your Member State between 01 January 2007 and 30 June 2008?	--	--	--
Q2c:	What was the total number of workers made redundant in these cases?	--	--	--
Q3:	Should workers made redundant <u>before</u> the 4-month period of reference mentioned in Article 2(a) of the Regulation be eligible for support from the EGF? Do you consider that a modification of the regulation to specifically permit the funding of actions in favour of these workers is warranted?	BG, CZ, DE, IE, EL, ES, IT, LV, LT, HU, MT, NL, PL, PT, RO, SK, FI	DK, FR, SE, UK	BE, EE, KY, LU, AT, SI
Q4:	Is the 4-month reference period (Art 2(a) of the EGF Regulation) sufficient to cover all redundancies in a typical case of mass redundancy in your country?	BG, CZ, DK, IE, IT, LV, LT, HU, MT, NL, AT, PT, RO, SK, FI, SE, UK	DE, EL, ES	BE, EE, FR, KY, LU, PL, SL
Q5:	Has your Member State considered making an application for funding from the EGF in favour of redundant workers	NL, AT	BG, CZ, DK, DE, EL, ES, IT, LV, LT,	BE, EE, IE, FR, KY, LU, SI

	in service sectors (such as financial and insurance activities, or other service sectors)?		HU, MT, PL, PT, RO, SK, FI, SE, UK	
Q6:	Are you aware of cases of redundancy in your Member State that would, in your opinion, have been eligible for a contribution from the EGF, but for which no application was made? If so, please explain why no application was made.	EL, ES, FR, IT, LV	CZ, DK, DE, LT, HU, MT, NL, PL, PT, RO, SK, FI, SE, UK	BG, BE, EE, IE, KY, LU, AT, SI
Q7:	The Option of using the EGF to provide micro-credits to redundant workers is mentioned in a recital to the Regulation. Should this measure be promoted? Please explain your answer.	BG, CZ, EL, LT, HU, MT, NL, RO, UK	DK, DE, ES, FR, LV, PL, PT, SK	BE, EE, IE, IT, KY, LU, AT, SI, FI, SE
Q8:	Would the use of 'mobility allowances' (ref. Article 3 of the EGF Regulation) to cover the expenses incurred by redundant workers in moving to another Member State to seek alternative employment or training activities be of interest to your Member State when dealing with mass redundancies?	BG, CZ, DEK, DE, EL, ES, FR, IT, HU, MT, NL, AT, PL, PTSK	LV, LT, RO, FI, SE, UK	BE, EE, IE, KY, LU, SI
Q9:	The Commission is considering using the technical assistance of the EGF to undertake forward-looking activities, such as analyses and studies to anticipate changes due to globalisation, and to support expert personnel, both in Member States and by the Commission. Please give us your comments on this proposal.	BG, CZ, IE, EL, ES, IT, LV, LT, MT, AT, PL, PT, SK, FI	DK, DE, HU, NL, SE, UK	BE, EE, FR, KY, LU, RO, SI
	<i>Specific criteria for Q. 10</i>	<i>50% OK</i>	<i>50% too high</i>	<i>50% too low</i>
Q10:	Currently the EGF contributes up to 50% of the total cost of the coordinated package of personalised services provided to the redundant workers. Do you consider that this intervention rate is correct, too high, or too low? Please explain your view.	BG, DK, DE, ES, HU, NL, SK, SE	UK	CZ, EL, FR, IT, LT, MT, AT, PL, PT, RO
	<i>Specific criteria for Q. 11</i>	<i>12 months OK</i>	<i>Greater than 12</i>	<i>18 to 24 months</i>
Q11:	Currently Member States must use the EGF financial contribution, as well as any interest earned thereon, within 12 months. Should this period be	DK, DE, SK, SE, UK	CZ, ES, FR, AT, FI	BG, EL, IT, LT, MT, NL, PL, PT, RO

	prolonged, and if so, for how long?			
		<i>Yes</i>	<i>No</i>	<i>No response</i>
Q12:	Regardless of whether or not your Member State has applied for EGF support, are there any particular administrative problems (at EU, national or regional level) you would like to mention here?	CZ, DE, IE, EL, ES, FR, IT, LT, HU, MT, PL, PT	DK, LV, RO, UK	BG, BE, EE, KY, LU, SI
Q13:	In order to use EGF funding, was or is there a need to set up new administrative procedures or make changes to existing ones? Please give details if possible.	DE, LT, HU, SK, FI, UK	DK, EL, MT, NL, PL, PT	BG, BE, CZ, EE, IE, ES, FR, IT, KY, LV, LU, AT, RO, SI, SE

**Comparison between mass redundancies and growth rate in the EU15 (2002-2007)<sup>16</sup>**

		2002	2003	2004	2005	2006	2007	2008 <sup>17</sup>
Number of mass redundancy events listed in the ERM	≥1,000 workers	68	80	70	77	68	34	38
	≥500 workers	117	144	146	176	145	87	67
Annual GDP Growth rate		1.2	1.2	2.4	1.8	2.9	2.7	n.a.

Over the period 2002-2007, the correlation coefficient between the number of mass redundancy events recorded by the ERM for the EU15 and the annual GDP growth rate is:

- -0,55 for mass redundancies equal to or above 1,000 workers;
- -0.19 for mass redundancies equal to or above 500 workers.

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<sup>16</sup> The comparison for EU 27 is not possible as the ERM did not systematically record comprehensive data for the New Member States over the period 2002 – 2007.

<sup>17</sup> Q1 and Q2