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Ex-ante Evaluation

Accompanying the document

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on the European Globalisation adjustment Fund 2014-2020**

{COM(2011) 608 final}

TABLE OF CONTENTS

1.	Introduction and policy background	3
1.1.	Introduction	3
1.2.	Policy background.....	3
2.	Problem definition and needs assessment	5
2.1.	Globalisation and unexpected crisis.....	5
2.2.	Trade agreements	6
2.3.	Needs assessment	7
3.	Objectives and expected results	7
4.	Available policy options (alternative delivery mechanism):	8
4.1.	Option 1.....	9
4.2.	Option 2.....	11
4.3.	Option 3.....	15
4.4.	Comparing the options	18
5.	Implementation of the preferred option	19
5.1.	Structure and implementation	19
5.2.	Active vs. passive measures	19
5.3.	Volume of appropriations, human resources and other administrative expenditure..	20
6.	Lessons learnt from the past.....	20
6.1.	Helping and hindering factors.....	21
6.2.	Impact of measures on participants, localities and implementing bodies.....	22
6.3.	Impact on delivery organisations and localities	24
6.4.	Overall use and efficiency of use of resources.....	25
6.5.	Sustainability outcomes	25
7.	Added value of the Union involvement	25
7.1.	Subsidiarity	26
8.	Monitoring and evaluation	26

1. INTRODUCTION AND POLICY BACKGROUND

1.1. Introduction

In line with the Commission's guidance on evaluation, the ex-ante evaluation accompanying the Proposal for the Regulation on the European Globalisation Adjustment Fund (EGF) 2014-2020 was prepared by Directorate-General for Employment, Social Affairs and Inclusion. The report duly takes account of contributions from Directorate-general for Agriculture and Rural Development. The report also benefitted from the interim report of the mid-term evaluation of the EGF prepared by GHK.

In its Communication 'A Budget for Europe 2020'¹ the Commission stressed the need to tackle effectively a number of challenges that constitute a serious threat to social cohesion and competitiveness. These pressing challenges are mainly: shortfalls in skills levels, under-performance of active labour market policy and education systems, social exclusion of marginalised groups and low labour mobility. In this context, the need is recognised to provide, for the duration of the Multiannual Financial Framework (MFF) 2014 – 2020, specific, one-off support to workers made redundant as a result of major structural changes triggered by the increasing globalisation of production and trade patterns. As in the previous programming period, this specific support should be provided through the EGF, one of the five special instruments not included in the MFF.

In the same Communication the Commission indicated that through the EGF the Union will also be able to provide support in the event of large-scale redundancies resulting from a serious disruption of the local, regional or national economy caused by an unexpected crisis. The scope of the EGF will furthermore be extended to provide transitory support to farmers to facilitate their adaptation to a new market situation resulting from the conclusion by the Union of trade agreements affecting agricultural products.

1.2. Policy background

The EGF was established in 2006² and is based on the third paragraph of Article 175 of the Treaty on the Functioning of the European Union (TFEU). It was set up to demonstrate solidarity at Union level with large numbers of workers made redundant within a short period of time as a result of major structural changes in world trade patterns due to globalisation. The EGF co-funds a package of active labour market policy measures aimed at re-integrating redundant workers into employment. The EGF is implemented under shared management with a strong focus on subsidiarity as regards the measures offered and their implementation.

The EGF is an instrument that is used in major structural changes; therefore it was decided to intervene in the cases of defined thresholds of redundancies. Originally, the eligibility requirements for EGF support were at least 1 000 redundancies either during a four-month period in an enterprise and its suppliers and downstream producers or during a nine-month period in an economic sector defined as a NACE Revision 2 Division in a region or two contiguous regions determined at NUTS II level. The maximum contribution from the EGF was set at 50 % of the total costs of the active labour market measures and the period of

¹ COM(2011) 500 final, 29.6.2011.

² Regulation (EC) No 1927/2006, 20.12.2006

implementation of EGF supported measures could not exceed 12 months from the date of application.

In the light of the scale and the speed of development of the financial and economic crisis in 2008 and of experience collected so far, the Commission, in its European Economic Recovery Plan³, revised the EGF Regulation. The new regulation⁴, reduced the eligibility threshold from 1 000 to 500 redundancies and prolonged the maximum implementation period from 12 to 24 months to leave sufficient time for the measures to be effective. Since the experience showed that some Member States had difficulty because of the lack of flexibility for the inclusion of workers made redundant by the same company shortly after submission of any EGF application, the flexibility in eligibility criteria was also enlarged and the new regulation provided the possibility to assist workers made redundant before and after the reference period.

Two crisis-related temporary amendments were also introduced: the possibility to apply for EGF support for redundancies that result directly from the financial and economic crisis and an increase of the EGF co-funding rate from 50 to 65 %. Since these temporary provisions expire on 31 December 2011 and in the light of the current economic situation, the Commission presented a Proposal⁵ to extend these until 31 December 2013.

It is important to recognize the differences between the EGF and the European Social Fund (ESF), the main European instrument used to promote employment, social inclusion, investment in skills, education and life-long learning, and institutional capacity. The ESF – as well as other Structural Funds and the European Agricultural Fund for Rural Development (EAFRD) – consists of multi-annual programmes in support of strategic, long-term goals, its measures are pre-programmed and cannot be shifted to deal easily with crisis situations caused by collective redundancies. Since it is not easy to modify multi-annual operational programmes in order to respond to rapid changes in world trade patterns, there is a need of the instrument geared towards helping workers soon after losing their job as a result of trade-related restructuring, unexpected crisis or an initialled trade agreement. Until now, that role was played by the EGF which was used as a specific, emergency tool providing tailor-made support for redundant workers.

Since the establishment of the EGF the Commission has received 78 applications for a total amount of EGF funding of EUR 355 million and supporting around 76 000 dismissed workers. The effectiveness and sustainability of results of the EGF will be assessed during its mid-term evaluation. The final report shall be available by 31 December 2011 as foreseen in the EGF Regulation.

On the basis of the Communication 'A Budget for Europe 2020' the EGF will remain outside the financial framework. It will be allocated the maximum amount from January 2014 to 31 December 2020 of EUR 3 billion, while the amount in support of the agricultural sector shall not exceed EUR 2,5 billion (2011 prices).

³ COM(2008) 800 final, 26.11.2008.

⁴ Regulation (EC) No 546/2009, 29.6.2009

⁵ COM(2011) 336 final, 10.06.2011.

2. PROBLEM DEFINITION AND NEEDS ASSESSMENT

2.1. Globalisation and unexpected crisis

Increased global competition is one of the significant challenges for Europe's societies⁶. The major structural changes in world trade patterns caused by globalisation are expected to have further impact on the structure of the labour market in the Union. Moreover, the labour market can be affected by disruptions of the economy caused by an unexpected crisis.

Restructuring and offshoring of activities to lower-cost centres is set to continue as companies constantly look for ways to safeguard their competitiveness in a globally open economy. The significance of this issue will vary depending on the sectors and sub-sectors which companies operate in. Restructuring can be also a consequence of an unexpected crisis that could result in a large loss in economic activity, a substantial increase in unemployment and a steep fall in productivity.

Without a proactive response, especially when collective redundancies are involved, restructuring can have adverse effects on the regions where closures take place and be socially destabilising, as well as traumatic for the individuals concerned. Support to workers made redundant can improve their ability to adapt to structural changes, enhance their employability so that they could reintegrate fast into the labour market. The lack of necessary skills among the workforce and insufficient match between the supply of skills and labour market demands make adapting to change more difficult.

One difficulty is that limiting the scope of the interventions to the workers with open-ended contracts would leave the workers under fixed-term and temporary contracts without any assistance in case of being affected by collective redundancies. The exclusion of workers on fixed-term or temporary agency contracts affects the overarching principles of equality and solidarity of the EGF. As indicated in the 'Employment in Europe' report, 13,5 % of the Union working population in 2009 were workers with fixed-term contract and 1,5 % were temporary agency workers. A similar problem refers to owner-managers of micro, small and medium-sized enterprises and self-employed workers including all members of the household who are active in the business. The inclusion of self-employed workers is particularly relevant for the agricultural sector where in 2010⁷ the share of self-employed in the EU-27 reached 54 % when considering people of more than 15 years old and 57 % for those of more than 25 years old.

As experience showed, another difficulty lied in lack of flexibility in adapting the implementation of the Fund to changing economic circumstances in the affected territory (or indeed the global economy). Some countries felt that further flexibility in the implementation of measures would have been needed following the onset of the economic crisis. Therefore, the flexibility during the implementation process will be enlarged.

⁶ COM(2010) 2020 final, 3.3.2010.

⁷ Eurostat, Labour force survey.

2.2. Trade agreements

As indicated in the 'Trade, Growth and World Affairs Communication'⁸, globalisation brings profits to consumers and positively influences economic growth. Moreover, 36 million jobs in Europe depend, directly or indirectly, on the Union's ability to trade with the rest of the world. However, despite the benefits that globalisation brings, international trade agreements can also negatively affect certain sectors in the Union, particularly the agricultural sector. Examples of such possible forthcoming trade agreements are those under negotiation with Mercosur countries, or in the context of the World Trade Organisation (WTO) under the Doha Development Agenda (DDA). The degree of the effects varies considerably across agricultural products and regions, yet it is predicted that globalisation will continue to have an impact on the livelihoods of the farmers. The sector will need to carry out adaptations brought about by trade agreements concluded by Union.

The Union continues its efforts to seek the conclusion of an ambitious, balanced and comprehensive agreement in the Doha Development Round. As part of an overall package deal, the Union has indicated its readiness to accept a steep reduction in the ceiling on its trade-distorting subsidies, the elimination of its export subsidies and a significant reduction of its border protection.

Furthermore the ongoing trade liberalisation process is expected to exert additional pressure on the economic perspectives of the European farm sector and on agricultural employment. Analysis of the implementation of a possible DDA Agreement under the WTO indicates that this could lead to a considerable increase in projected Union imports for many products compared to the baseline at the horizon 2020. Union producer prices could drop for most of the products, with the volume of production expected to fall accordingly. The sharpest price fall (more than 10 %) is expected for sugar and beef. Price drops could in most cases trigger an increase in consumption, somewhat mitigating the fall in domestic production. As a whole, the DDA could generate a drop of about 8 % in agricultural income in 2020 compared to the baseline⁹.

Average effects mask more pronounced potential impacts at the level of single Member States and regions, especially those specialised in livestock production. Pressure on the extensive livestock sector would have a negative effect on biodiversity in these areas, much of which is a by-product of traditional farming systems there. Additional, and similar in nature challenges for Union agriculture stem from further trade liberalisation achieved under bilateral agreements between the Union and various third countries.

In this respect, the possible Free Trade Agreement with the Mercosur countries is the one potentially generating the most significant impacts for Union agriculture as it could lead to a decline in Union farm income and agricultural employment. The precise magnitude of the impacts would depend on the extent of the liberalisation agreed under the trade deal. As in the

⁸ COM(2010) 612 final, 9.11.2010.

⁹ The effect of a possible DDA agreement was analysed using the AGLINK-COSIMO model, as compared to the baseline prospects for agricultural markets by 2020 (of December 2010). In this simulation exercise, DDA provisions were implemented for the Union only. Thus, the positive impacts for the Union stemming from the new market access opportunities on third countries' markets are not taken into account.

case of the DDA, average effects are likely to be unevenly distributed by agricultural sector and at national/regional level.

In conclusion it is difficult to anticipate all the adverse impacts that trade negotiations and agreements can have on economic activities and employment. Economic modelling and forecasts might not take into account all the factors that affect the decisions made – at micro level – by economic operators. Moreover, once the negative aspects of trade agreements arise, Member States might implement diverging strategies and measures to mitigate them. In the light of the forthcoming conclusions of both Mercosur and DDA negotiations, there is a need for an instrument at Union level addressing the negative impacts of globalisation.

2.3. Needs assessment

The target group for the EGF assistance are workers made redundant as a result of major structural change or unexpected crisis and the farmers whose livelihoods were affected by trade agreements. In order to ensure that the EGF can meet the identified needs and problems of workers notwithstanding their employment relationship, there is a need to provide the support not only to workers with contracts of employment of indefinite duration but also fixed-term workers, temporary agency workers, owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers).

A package of active labour market policy measures co-financed by the EGF will address the problems of not matching the skills with the labour market demands across different sectors (including the agriculture). Evidence shows that for workers affected by mass redundancies it is important to increase their confidence, renew and improve their job search skills and upgrade their skills and capacities, making it more likely for them to find employment or to become self-employed. Therefore, a scope of support measures will range from job-search assistance, occupational guidance, advisory services, entrepreneurship and self-employment promotion, aid for business start-up, through special time-limited measures, such as job-search or training allowances to measures to stimulate disadvantaged or older workers to remain in or return to the labour market.

For farmers, including all members of the farm household active on the farm, the measures will focus on the acquisition of appropriate training and skills and use of advisory services enabling them to adjust their activities, including carrying out new activities, within and / or outside agriculture, as well as to support to a limited extent the initial investments in these new activities allowing them to become structurally more competitive and secure their livelihoods. Support could also be given to cooperation activities with a view to creating new market options especially for small-scale farmers.

3. OBJECTIVES AND EXPECTED RESULTS

The EGF will seek to achieve the **general objective**:

- show solidarity with the workers and farmers during the adaptation processes due to major structural changes, unexpected crisis and conclusions of trade agreements.

The **specific objectives** for the EGF would address the workers' and farmers' needs during the adaptation processes:

1. - to provide support to the workers made redundant as a result of major structural change or unexpected crisis;

- to improve the ability of redundant workers to adapt to the structural change and to reintegrate into the labour market;

2. - to support farmers changing or adjusting their previous agricultural activities;

- to facilitate the adaptation of farmers to a new market situation following the conclusion by the Union of a trade agreement.

The **operational objective** for the EGF is as follows:

- the rate of assisted workers on different employment contracts and coming from different sectors reintegrating into employment or new activities after 12 months should increase.

4. AVAILABLE POLICY OPTIONS (ALTERNATIVE DELIVERY MECHANISM):

This section assesses three policy options available to address the negative impacts that the major structural changes in world trade patterns caused by globalisation or unexpected crisis or conclusion of a trade agreement may have on employment: option 1: no policy change; option 2: option 1 and extension of the EGF to fixed-term and temporary workers; option 3: option 2 and extension to owner-managers of micro, small and medium-sized enterprises and self-employed persons (including farmers).

Before detailing the outcome of this assessment, it should be highlighted that two additional options – which could have been theoretically considered – have been disregarded because of their irrelevance: the discontinuation of the EGF; and the option relating to the administrative improvements in the functioning of the EGF.

The discontinuation of the EGF is not an available policy option because the Commission has stated in its Communication 'A Budget for Europe 2020' that the EGF would continue to provide specific support to workers made redundant as a result of major structural changes over the programming period 2014-2020. The abovementioned Communication was addressed to the relevant European institutions and it aimed at presenting the shape of the Union policies, with a particular emphasis on the Union financial instruments. It is therefore not relevant to assess an option (i.e. the discontinuation of the EGF) which could not be implemented.

The option relating to the administrative improvements in the functioning of the EGF, on the other hand, is not considered because of its limited scope. As part of its package of acts and documents related to the Multiannual Financial Framework 2014-2020, the Commission has adopted a draft Interinstitutional Agreement¹⁰ on cooperation in budgetary matters which proposes the financial mechanism to be applied to the EGF for the period 2014-2020. Apart from technical details (e.g. the deletion of a reference to a simplified dialogue between the Commission and both branches of the Budgetary Authority), the Commission has proposed to maintain the current financial mechanism of the EGF.

¹⁰ COM(2011) 403 final, 29.6.2011.

To ensure flexibility of the Fund and its nature of a 'crisis instrument', the Commission decided to exclude the EGF from the financial framework. The EGF will indeed remain a financial instrument which will be mobilised when exceptional shocks caused by globalisation or any unexpected crisis lead to mass redundancies. It is difficult to foresee how much funding will be required, as the number and level of applications depend on unforeseeable circumstances. At times when budgets need to be carefully planned, the Commission has considered it would be preferable to maintain the EGF into a flexible reserve. As a consequence of this decision, the available possibilities to bring administrative improvements in the functioning of the EGF are limited and do not consist in a coherent policy option addressing the objectives defined in section 3 of this document. The procedure to shorten the time gap between application for and payment of EGF support will be based on further streamlining of the application process. This will require the submission of a complete application, making the provision of additional information an exception and limiting the time for Member States to submit this information and Commission to assess it. In addition, the Commission will adopt its financing decision '*sous clause suspensive*' at the same time as it adopts a Proposal for a Decision to mobilise the EGF.

4.1. Option 1

Option 1 corresponds to the **no policy change** and represents the base-line scenario with the EGF operating under its current rules as amended in 2009 by the so-called "crisis derogation", i.e.:

- the EGF would provide assistance to workers who have been made redundant (i.e. whose contract of employment has been broken) because of structural changes in world trade patterns or because of an unexpected crisis¹¹;
- the EGF would be mobilised when at least 500 redundancies occur over a period of four months in an enterprise and its suppliers and downstream producers or over a period of nine months in enterprises operating in the same economic sector (NACE Revision 2 Division) and in the same territory (one region or two contiguous regions at NUTS II level). If none of those two criteria were met, the EGF would be mobilised in exceptional circumstances duly substantiated or in small labour markets;
- the EGF would co-finance – for a period of 24 months maximum – a package of personalised services consisting in active labour market policy measures up to 65 % of their cost and aiming at the redundant workers' reintegration into employment.

Coherence

Option 1 (i.e. the continuation of the EGF as it currently operates) would not have any significant implication on the consistency of the Fund with other Union activities compared with the present situation.

¹¹ When the EGF Regulation was amended in 2009, the scope of the Fund was extended to the workers made redundant because of the global financial and economic crisis that was affecting the economy across the Union. The baseline scenario consists in maintaining the current scope of the EGF, including in its "crisis" aspects. This will require a slight rewording of the current rules to enable the EGF to intervene in any type of crisis and not specifically to the one that arose in 2008-09.

The EGF would pursue the objectives defined in the EU 2020 Strategy, in particular its inclusive growth dimension. The EGF would contribute to the latter by increasing – through skills and training – the European workers' ability to adapt to changing labour markets and by helping the modernisation of welfare systems – through its focus on *active* labour market measures. Besides the EGF would remain fully consistent with the interventions of the Structural Funds: the EGF would continue to act as a solidarity and crisis instrument mitigating the impact of mass-redundancy events on a case-by-case basis, whereas the Structural Funds would continue to seek the achievement of structural labour reforms *via* multi-annual operational programs.

Effectiveness

Option 1 would allow the EGF to demonstrate solidarity with, and provide support to, some categories of redundant workers during their adaptation to changing labour markets. However the EGF would still limit its assistance to workers *legally* made redundant, i.e. whose contract of employment would be broken. According to the "Employment in Europe 2010" Report the latter represent 71 % of the labour force in the Union. Option 1 would therefore leave temporary agency workers and workers with fixed-term contract – who represent approximately 15 % of the labour force in the Union – without any additional assistance if they were to suffer the negative impact of structural changes in world trade patterns or any unexpected crisis. In addition option 1 would in practice make it impossible for owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) to benefit from EGF assistance. By maintaining the current eligibility criteria, it would leave a further 15,5 % of the European active population out of the eligible population of the EGF.

Under option 1 the Commission would therefore not deliver on the policy objectives set out in the Communication 'A Budget for Europe 2020'. There is a need to go beyond the limitations imposed by the current eligibility criteria of the EGF and entailed by option 1.

Relevance

Under option 1 the scope of the EGF would be too restricted to address the problems and needs of all categories of workers negatively affected by globalisation or any unexpected crisis. This option contains the risk that the intervention will not be relevant in respect to identified needs and problems of all target groups.

Efficiency

Under option 1 the EGF would remain a crisis instrument mobilised when mass-redundancy events which could be neither avoided nor expected occur. This makes it difficult to foresee how much funding will be actually spent, as the number of applications submitted to the Commission and the number of workers targeted for EGF support depend on unforeseeable circumstances. Experience acquired so far with the EGF suggests that the interventions under option 1 (i.e. the continuation of the EGF as it currently operates) would amount to EUR 20 million to EUR 150 million per year.

The overall cost of operations of the EGF under option 1 cannot be precisely predicted over the next programming period, but the efficiency of that option can be better assessed on a case-by-case basis. For a given application, the EGF co-finances a tailor-made package of active labour market policy measures which is specifically designed to facilitate their

reintegration into employment. Those measures are often designed in close cooperation amongst stakeholders (e.g. representatives of the workers and of the employers) and take into consideration the demand on local labour markets in order to further improve the redundant workers' reintegration. The interim report of the mid-term evaluation¹², submitted by GHK in August 2011, does quote those elements amongst the success factors (emphasis added):

- **"Provision of intense individualised support.** Where stakeholders reported that a number of cases had been successful is in the key mechanism underpinning support and establishing a pathway to employment through a profiling service undertaken by deliverers. This had two main impacts. Firstly, it established **an individual connection between beneficiaries** which assured them that they were going to be assisted. Secondly, it **provided beneficiaries with a personalised plan** which they could work with the PES [Public Employment Service] to implement.
- **Provision of a package of measures.** This was seen as key to success in a number of cases. The mix of measures was very important in order to provide **a differentiated response to workers with varying profiles**. The strength of the EGF lies in the flexible combination of several offers. As illustrated in the individual cases, many of these offers are already provided in mainstream employment service measures. It is, therefore, imperative that **EGF cases develop a mix which addresses the needs of individuals and compliments existing provision**.
- **Involvement of a wide range of partners.** Stakeholders consulted in many of the cases considered highlighted the catalytic effect that EGF had in harnessing the Public Employment Service to mobilise resources and **provide special attention to particular groups of workers.**"

Finally experience gathered so far shows that the costs for implementing the EGF (i.e. preparation of an application, implementation of the measures, management and control of expenditure, publicity...) rarely exceed 4 % of the total costs of the measures.

Under option 1 the EGF would remain an efficient instrument to support workers affected by globalisation or any unexpected crisis provided those workers have been made redundant (i.e. their contract of employment broken). This option would nonetheless fail to achieve the objectives of the proposal as regards temporary agency workers, workers with fixed-term contracts, owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers).

4.2. Option 2

Option 2 corresponds to the combination of option 1 and an **extension of the eligible population of the EGF**, i.e.:

- the EGF would provide assistance to workers who have been made redundant or – for those who are temporary agency workers or workers with fixed-term contracts –

¹² Mid-term evaluation of the European Globalisation Adjustment Fund: Interim Report.

whose contract of employment have not been renewed because of structural changes in world trade patterns or because of an unexpected crisis¹³;

- the EGF would be mobilised when at least 500 redundancies (including temporary agency workers and workers with fixed term contracts when their contract is not renewed) occur over a period of four months in an enterprise and its suppliers and downstream producers or over a period of nine months in enterprises operating in the same economic sector (NACE Revision 2 Division) and in the same territory (one region or two contiguous regions at NUTS II level). If none of those two criteria were met, the EGF would be mobilised in exceptional circumstances duly substantiated or in small labour markets;
- the EGF would co-finance – for a period of 24 months maximum – a package of personalised services consisting in active labour market policy measures up to 65 % of their cost and aiming at the redundant workers' reintegration into employment.

The temporary agency workers and the workers with fixed-term contracts targeted under option 2 would be the ones affected by a collective dismissal, together with workers with open-ended contracts. They would be identified by the Member State – when preparing its application for EGF funding – on the grounds that their contract of employment would have expired and would have not been renewed during the reference period of the EGF (i.e. the period of four or nine months during which the redundancies are being calculated).

Coherence

Option 2 (i.e. the extension of the eligible population) would not have any significant implication on the consistency of the Fund with other Union activities compared with the present situation.

The EGF would pursue the objectives defined in the EU 2020 Strategy, in particular its inclusive growth dimension. The EGF will contribute to the latter by increasing – through skills and training – the European workers' ability to adapt to changing labour markets and by helping the modernisation of welfare systems – through its focus on active labour market measures. Besides the EGF would remain fully consistent with the interventions of the Structural Funds: the EGF would continue to act as a solidarity and crisis instrument mitigating the impact of mass-redundancy events on a case-by-case basis, whereas the Structural Funds would continue to seek the achievement of structural labour reforms via multi-annual operational programs.

Effectiveness

Option 2 would allow the EGF to demonstrate solidarity with, and provide support to, some categories of redundant workers during their adaptation to changing labour markets. The EGF would no longer limit its assistance to workers *legally* be made redundant, i.e. whose contract

¹³ When the EGF Regulation was amended in 2009, the scope of the Fund was extended to the workers made redundant because of the global financial and economic crisis that was affecting the economy across the Union. The baseline scenario consists in maintaining the current scope of the EGF, including in its "crisis" aspects. This will require a slight rewording of the current rules to enable the EGF to intervene in any type of crisis and not specifically to the one that arose in 2008-09.

of employment would be broken. It would also provide support to temporary agency workers and workers with fixed-term contract if their contracts were not renewed because of structural changes in world trade patterns or any unexpected crisis. By eliminating the current discrimination amongst redundant workers affected by globalisation – according to whether they have an open-ended contract of employment – the EGF would further demonstrate the Union solidarity towards a larger number of workers.

It is not possible to precisely predict the number of temporary agency workers and workers with fixed-term contracts who could benefit from the EGF under option 2 because the EGF would remain a crisis instrument mobilised when mass-redundancy events which could be neither avoided nor expected occur. This makes it difficult to foresee how much funding will be actually spent, as the number of applications submitted to the Commission and the number of workers targeted for EGF support depend on unforeseeable circumstances. However, the potential eligible population of the Fund would increase by approximately 33,3 million workers as 13,5 % of the Union working population in 2009 were workers with fixed-term contract and 1,5 % were temporary agency workers¹⁴. In addition option 2 would enable the EGF to provide assistance to a category of workers – the temporary ones – who face the most precarious living conditions and need to adapt themselves very rapidly to the labour demand from one mission to another. As a consequence this option would bring the EGF closer to its objective of solidarity both in quantitative terms (i.e. the number of workers potentially benefiting from its support would increase) and qualitative terms (i.e. the EGF support would also be provided to those workers with the least job security).

The recourse to the possibility offered by option 2 to provide EGF-co-financed assistance to temporary agency workers and workers with fixed-term contracts will largely depend on the applicant Member States. In order to make this new provision effective the Commission services would raise awareness amongst the EGF Contact Persons¹⁵ and stakeholders. This new provision would be assessed – and its implementation steered if necessary - following the mid-term evaluation of the future EGF which will be due by 30 June 2018 according to the draft Proposal for a Regulation on the EGF 2014-2020.

On the other hand, option 2 would in practice make it impossible for owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) to benefit from EGF assistance. By not extending the current eligibility criteria to the latter, it would leave 15,5 % of the European active population out of the eligible population of the EGF.

Under option 2 the Commission would therefore partly deliver on the policy objectives set out in the Communication 'A Budget for Europe 2020'. There is a need to go beyond the limitations entailed by option 2.

Relevance

¹⁴ 'Employment in Europe' report.

¹⁵ The EGF Contact Persons are the national experts designated by the Member States – usually working for the Ministry responsible for Employment – responsible for implementing the EGF in their respective countries and meeting twice a year to discuss development in the implementation of the EGF.

Under option 2 the scope of the EGF would be too restricted to address the problems and needs of all categories of workers negatively affected by globalisation or any unexpected crisis. This option contains the risk that the intervention will not be relevant in respect to identified needs and problems of all target groups.

Efficiency

Based on the assumption that temporary agency workers and workers with fixed-term contract would increase the number of workers receiving EGF assistance by 15 % (i.e. the share they represent amongst all employees of the Union and which is currently not eligible under the EGF) and that the amount of EGF contributions would consequently increase in the same proportion, the interventions under option 2 would amount to EUR 23 million to EUR 172 million per year.

The overall cost of operations of the EGF under option 2 cannot be precisely predicted over the next programming period, but the efficiency of that option can be better assessed on a case-by-case basis. For a given application, the EGF co-finances a tailor-made package of active labour market policy measures which is specifically designed to facilitate their reintegration into employment. Those measures are often designed in close cooperation amongst stakeholders (e.g. representatives of the workers and of the employers) and take into consideration the demand on local labour markets in order to further improve the redundant workers' reintegration. The interim report of the mid-term evaluation¹⁶, submitted by GHK in August 2011, does quote those elements amongst the success factors (emphasis added):

- **"Provision of intense individualised support.** Where stakeholders reported that a number of cases had been successful is in the key mechanism underpinning support and establishing a pathway to employment through a profiling service undertaken by deliverers. This had two main impacts. Firstly, it established **an individual connection between beneficiaries** which assured them that they were not going to be assisted. Secondly, it **provided beneficiaries with a personalised plan** which they could work with the PES [Public Employment Service] to implement.
- **Provision of a package of measures.** This was seen as key to success in a number of cases. The mix of measures was very important in order to provide **a differentiated response to workers with varying profiles**. The strength of the EGF lies in the flexible combination of several offers. As illustrated in the individual cases, many of these offers are already provided in mainstream employment service measures. It is, therefore, imperative that **EGF cases develop a mix which addresses the needs of individuals and compliments existing provision**.
- **Involvement of a wide range of partners.** Stakeholders consulted in many of the cases considered highlighted the catalytic effect that EGF had in harnessing the Public Employment Service to mobilise resources and **provide special attention to particular groups of workers.**"

Finally experience gathered so far shows that the costs for implementing the EGF (i.e. preparation of an application, implementation of the measures, management and control of expenditure, publicity...) rarely exceed 4 % of the total costs of the measures.

¹⁶ Mid-term evaluation of the European Globalisation Adjustment Fund: Interim Report.

Under option 2 the EGF would be an efficient instrument to support workers affected by globalisation or any unexpected crisis without any distinction based on their employment status. Besides since mass-redundancy events often affect temporary workers in the first place and workers with open-ended contracts in the second, it is expected that under option 2, the EGF would provide assistance to both categories of workers through a single intervention. The costs for implementing the EGF related to each application would therefore be spread over a larger number of workers and increase the efficiency of the Fund.

Option 2 would nonetheless fail to achieve the objectives of the proposal as regards owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers).

4.3. Option 3

Option 3 corresponds to the combination of option 2 and **a further extension of the eligible population and set of eligible actions of the EGF**, i.e.:

- in addition to workers who have been made redundant or whose contract of employment have not been renewed, the EGF would provide assistance to owner-managers of micro, small and medium-sized enterprises and self-employed workers who cease their activities, and farmers who change or adjust their activities
- the EGF would be mobilised when at least 500 redundancies (including temporary agency workers and workers with fixed-term contracts) occur over a period of four months in an enterprise and its suppliers and downstream producers or over a period of nine months in enterprises operating in the same economic sector (NACE Revision 2 Division) and in the same territory (one region or two contiguous regions at NUTS II level). If none of those two criteria were met, the EGF would be mobilised in exceptional circumstances duly substantiated or in small labour markets;
- for workers made redundant (including temporary agency workers and workers with fixed-term contracts) the EGF would co-finance – for a period of 24 months maximum – a package of personalised services consisting in active labour market policy measures and aiming at the redundant workers' reintegration into employment. The co-funding rate will be modulated, with a 50 % contribution to the cost of the package and its implementation as the norm, and the possibility to raise this rate to 65 % in the case of applications submitted by those Member States on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds
- for owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) the EGF would co-finance – for a period of 24 months maximum – a set of measures including active labour market measures with an emphasis on the acquisition of training, skills and advisory services enabling them to adjust their activities, including carrying out new activities. Those measures would also support – to a limited extent – the initial investments in these new activities, allowing them to secure their livelihoods.

The owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) targeted under option 3 would be identified by the Member State on the grounds that they would change or adjust their previous activities.

Taking into account the specificities of the agricultural sector, the Commission would designate – on the basis of data analyses carried out by its departments – the agricultural sectors and/or products and regions affected by new trade agreements. It would also set the reference periods during which farmers could be counted towards the EGF triggering mechanism and establish the deadline by which applications would have to be submitted.

Coherence

Option 3 (i.e. the further extension of the eligible population and set of eligible actions of the EGF) would positively affect the consistency of the Fund with other Union activities compared with the present situation.

The EGF would pursue the objectives defined in the EU 2020 Strategy, in particular its inclusive growth dimension. The EGF will contribute to the latter by increasing – through skills and training – the European workers' ability to adapt to changing labour markets and by helping the modernisation of welfare systems – through its focus on active labour market measures. Besides the EGF would remain fully consistent with the interventions of the Structural Funds: the EGF would continue to act as a solidarity and crisis instrument mitigating the impact of mass-redundancy events on a case-by-case basis, whereas the Structural Funds would continue to seek the achievement of structural labour reforms via multi-annual operational programs.

Furthermore the extension of the eligible population of the EGF to farmers would fit the latter in line with the objectives of the rural development policy, in particular the interventions of the European Agricultural Fund for Rural Development (EAFRD) in the field of vocational training, advisory services and business start-up. Both instruments would provide assistance to farmers. However, their respective approaches would be different: the EAFRD would aim at structural improvements in the field of rural development, whereas the EGF would act as a solidarity and crisis instrument mitigating the negative impact of new trade agreements on specific agricultural activities.

Effectiveness

Option 3 would allow the EGF to demonstrate solidarity with, and provide support to, all categories of redundant workers during their adaptation to changing labour markets. The EGF would no longer limit its assistance to workers made redundant or whose contracts of employment have not been renewed, since the Fund would provide assistance to self-employed workers. By eliminating the current discrimination between redundant workers and self-employed workers would allow the EGF to further demonstrate Union solidarity.

It is not possible to precisely predict the number of managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) who could benefit from the EGF under option 3. The EGF would indeed remain a crisis instrument mobilised when mass-redundancy events which could be neither avoided nor expected occur. However, compared with option 2, the potential eligible population of the Fund would increase by approximately

34,5 million persons as 15,5 % of the Union working population in 2009 were self-employed workers (including farmers)¹⁷.

The recourse to the possibility offered by option 3 to provide EGF-co-financed assistance to owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) will largely depend on the applicant Member States. In order to make this new provision effective the Commission services would raise awareness amongst the EGF Contact Persons and stakeholders. This new provision would be assessed – and its implementation steered if necessary - following the mid-term evaluation of the future EGF which will be due by 30 June 2018 according to the draft Proposal for a Regulation on the EGF 2014-2020.

Under option 3 the Commission would deliver on the policy objectives set out in the Communication 'A Budget for Europe 2020'.

Relevance

Under option 3 the scope of the EGF would address the problems and needs of all categories of workers negatively affected by globalisation or any unexpected crisis. This option would therefore be relevant in respect to identified needs and problems of all target groups.

Efficiency

The overall cost of operations of the EGF under option 3 cannot be precisely predicted over the next programming period, but the efficiency of that option can be better assessed on a case-by-case basis. For a given application, the EGF co-finances a tailor-made package of active labour market policy measures which is specifically designed to facilitate their reintegration into employment. Those measures are often designed in close cooperation amongst stakeholders (e.g. representatives of the workers and of the employers) and take into consideration the demand on local labour markets in order to further improve the redundant workers' reintegration. The interim report of the mid-term evaluation¹⁸, submitted by GHK in August 2011, does quote those elements amongst the success factors (emphasis added):

- **"Provision of intense individualised support.** Where stakeholders reported that a number of cases had been successful is in the key mechanism underpinning support and establishing a pathway to employment through a profiling service undertaken by deliverers. This had two main impacts. Firstly, it established **an individual connection between beneficiaries** which assured them that they were not going to be assisted. Secondly, it **provided beneficiaries with a personalised plan** which they could work with the PES [Public Employment Service] to implement.
- **Provision of a package of measures.** This was seen as key to success in a number of cases. The mix of measures was very important in order to provide **a differentiated response to workers with varying profiles**. The strength of the EGF lies in the flexible combination of several offers. As illustrated in the individual cases, many of these offers are already provided in mainstream employment service measures. It is,

¹⁷ 'Employment in Europe' report.

¹⁸ Mid-term evaluation of the European Globalisation Adjustment Fund: Interim Report.

therefore, imperative that **EGF cases develop a mix which addresses the needs of individuals and compliments existing provision.**

- **Involvement of a wide range of partners.** Stakeholders consulted in many of the cases considered highlighted the catalytic effect that EGF had in harnessing the Public Employment Service to mobilise resources and **provide special attention to particular groups of workers."**

The same approach would apply to the package of measures which the EGF would co-finance in favour of owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers).

Finally experience gathered so far shows that the costs for implementing the EGF (i.e. preparation of an application, implementation of the measures, management and control of expenditure, publicity...) rarely exceed 4 % of the total costs of the measures.

Under option 3 the EGF would be an efficient instrument to support all categories of workers affected by globalisation, any unexpected crisis or new trade agreements without any distinction based on their employment relationship. It is therefore expected that under option 3, the EGF would provide assistance to all categories of workers through a single intervention. The costs for implementing the EGF related to each application would therefore be spread over a larger number of workers and increase the efficiency of the Fund.

4.4. Comparing the options

All three options could help to achieve the objectives to different degrees. However, the differences would be significant as options 1 and 2 are expected to limit the effectiveness of the proposal as they do not address the specific objective relating to farmers negatively affected by new trade agreements. As regards efficiency, the greater eligible population of the EGF offered under option 3 – i.e. workers with open-ended contracts, plus temporary agency workers, plus workers with fixed-term contracts, plus self-employed persons – would bring each EGF intervention closer to a critical mass in terms of targeted workers and financial contributions. It is also important to highlight the strong Union interest in achieving the MFF objectives. Therefore, taking into account the limitations of option 1 and 2, **option 3** is the preferred option.

	Effectiveness	Efficiency	Relevance	Overall Assessment
Option 1	+	+	+	-
Option 2	++	++	++	+
Option 3	+++	+++	+++	++

5. IMPLEMENTATION OF THE PREFERRED OPTION

5.1. Structure and implementation

The budgetary arrangements are covered under point 13 in the section B.4 of the draft Inter-institutional Agreement¹⁹ between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management. Similarly to the procedure applied under Regulation (EC) No 1927/2006, every application submitted by the Member State will require a substantial assessment by the Commission which afterward will make a Proposal for a Decision of the European Parliament and of the Council. After the Decision is adopted by both arms of the Budgetary Authority, the Commission will take a financing Decision which will allow paying out the approved contribution to the applicant Member State. Whenever possible, the process will be shortened and streamlined.

In order to ensure the European dimension of the EGF an application for EGF support for workers can be triggered when the number of redundancies reaches a minimum threshold. Experience with the functioning of Regulation (EC) No 1927/2006 has shown that a threshold of 500 redundancies within a given reference period is an acceptable threshold, in particular taking into account the possibility to submit applications for a lower number of redundancies in small labour markets or in exceptional circumstances.

For the agricultural sector an EGF application would be triggered on a different basis. Ex-ante information about the sectors and / or products likely to be affected by increased imports as a direct result of trade agreements will be provided in the analysis carried out by the Commission departments for the trade negotiations. Once the trade agreement is initialled, the Commission departments further check the sectors or products for which a substantial increase in imports and a significant drop in prices are expected and will assess the likely effect on sectoral income. On this basis the Commission would designate (by adopting delegated acts) agricultural sectors or products and regions as eligible for possible EGF support. Member States would have the possibility to submit applications for an EGF contribution provided that they can prove that eligible sectors or products have experienced significant trade-related losses, that farmers operating in these sectors are affected and that they have identified and targeted the affected farmers.

Initiating, designing and implementing the EGF active labour measures will involve the national and regional authorities in accordance with the principle of subsidiarity. Such process will mobilise stakeholders at all levels, including the social partners. The Commission would supervise the implementation of the measures and approve the interim and final reports submitted by the Member States.

5.2. Active vs. passive measures

The focus of the EGF is on active labour market measures aimed at re-integrating dismissed workers rapidly into stable employment. As does Regulation (EC) No 1927/2006, the EGF will continue to provide a financial contribution for a package of active labour market measures. It cannot contribute to the funding of passive measures as these are not compatible

¹⁹ COM(2011) 403 final, 29.6.2011.

with the growth and employment objectives of the Europe 2020 strategy. Allowances may only be included if they are designed as incentives to facilitate the participation of dismissed workers in active labour market policy measures. In order to ensure a reasonable balance between genuinely active labour market policy measures and 'activated' allowances, the share of allowances in a coordinated package of active labour market measures is capped.

5.3. Volume of appropriations, human resources and other administrative expenditure

As far as the use of the budget is concerned (maximum EUR 3 billion for the period 2014-2020), up to EUR 2,5 billion can be used for agriculture.

The funds may also cover the technical assistance at the initiative of the Commission, subject to a ceiling of 0,50 % of the annual amount of the EGF. It may be used to finance the preparation, monitoring, information and creation of a knowledge base relevant to the implementation of the EGF, as well as administrative and technical support, audit control and evaluation activities necessary to implement the EGF Regulation.

In order to ensure that the Union's expression of solidarity with workers is not hampered by a lack of Member State co-funding resources, the co-funding rate should be modulated, with a maximum 50 % contribution to the cost of the package and its implementation as the norm, and the possibility to raise this rate to up to 65 % in the case of applications submitted by those Member States on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds.

Expenditure should be eligible either from the date on which a Member State incurs administrative expenditure for implementing the EGF or from the date on which a Member State starts to provide personalised services or, in the case of farmers, from the date set in a Commission's delegated act.

In order to cover the needs arising in particular in non-agricultural sectors during the final months of each year, it is necessary to ensure that at least one quarter of the annual maximum amount of the EGF remains available on 1 September. Financial contributions made during the remainder of the year should be allocated taking into account the overall ceiling laid down for support to farmers in the Multiannual Financial Framework.

Furthermore, the management of the EGF will entail related administrative work by the departments of the Commission. By expanding the scope of the Fund, it is expected to receive more applications from the Member States than under the current intervention criteria that will need to be assessed and followed by the officials of the Commission.

6. LESSONS LEARNT FROM THE PAST

The evaluation of the effectiveness and sustainability of the EGF is being carried out by GHK in the ongoing mid-term evaluation. The interim report²⁰ submitted by the GHK describes first findings about the applications received under the eligibility criteria before the crisis-related amendments. It should be highlighted that those preliminary findings relate to

²⁰ Mid-term evaluation of the European Globalisation Adjustment Fund: Interim Report .

applications which were submitted before the entry into force of the amending Regulation of 2009. The latter brought improvements to the rules governing the EGF and addressed most of the issues detailed below (e.g. period of implementation extended from 12 to 24 months; possibility to provide assistance to workers dismissed before and after the reference period). The Proposal for a Regulation on the EGF 2014-2020 aims at improving the EGF and at addressing the remaining issues discovered in the course of the ongoing mid-term evaluation.

The first findings described by GHK are as follows:

"The aims and objectives formulated for EGF intervention at Member State level were closely related to the intentions of the EGF as an instrument, i.e. to provide assistance in crisis situations resulting from restructuring linked to globalisation in order to ensure the rapid and sustainable re-integration of affected workers into the labour market. Another goal is to help localities affected by preventing significant rises in unemployment and potential social tensions. Re-integration was largely to be achieved through a mixture of measures focussing on a personalised approach including up-skilling and wider personal development, as well as support for mobility, employment creation or self-employment.

Over 50 % of stakeholders consulted considered that the goals set out in the EGF application were either fully or almost fully achieved (54 %). A further 39 % considered that they had been partially achieved, with only 7 % arguing that goals had not been achieved. It is notable that 90% of respondents considered the measures carried out to be either very relevant or relevant to the needs redundant workers.

6.1. Helping and hindering factors

When looking at factors helping or hindering the achievement of original project intentions, it is possible to point to factors external to the EGF architecture, as well as factors internal to the EGF.

External factors include:

The nature of the beneficiary group. In most cases considered as part of the mid-term evaluation the beneficiary group faced a range of barriers to reintegration to the labour market. The most significant of these issues were low skills and low confidence levels as well as age or gender profile. These issues combined to mean that labour market reintegration is a long term challenge, with EGF funding potentially too short to achieve lasting outcomes.

Local economic climate. In many of the cases evaluated the company closure related to a dominant local employer in a declining sector, with relatively low levels of employment in growing sectors. Indeed, many of the local labour markets concerned could be characterised as operating in a state of low-skill equilibrium – with low demand for high skilled labour driving low supply (or vice-versa). Related to this issue there were also some cases where beneficiaries reported a reluctance to retrain for a job or sector which would provide them with lower wages than their previous employment.

Global economic climate. Taking into account that the general economic climate has been worsening during the implementation of the EGF and afterwards, improving the employment situation of dismissed workers supported by EGF was very challenging. Many companies were seeking to make further redundancies during this period and those that were taking on additional staff had a greater level of choice from which to appoint.

Internal factors include:

- The length of funding available (12 months during the time period being evaluated – this has already been extended to 24 months), which – as mentioned above – made it difficult to achieve sustainable employment outcomes for those beneficiaries with the greatest barriers to re-entering an increasingly challenging labour market;

- The delay in applications being approved was noted in a number of cases as a significant challenge. As it is generally considered that early intervention is vital to achieve positive and sustainable outcomes for dismissed workers, this is something which impacted directly on outcomes for beneficiaries in the cases. It was considered to be detrimental to the vision of the EGF as a ‘rapid response service’ to provide the funding at the locality 12 months (and later) after the redundancies have occurred. In many cases, where national authorities were unable to start programme with their own funding mechanisms, this led to implementation periods becoming compressed, making it difficult to provide significant measures particularly with regard to training;

- The rigidity was noted in terms of the fact that additional beneficiaries, dismissed soon after the application was submitted and then approved, could not be included in the funded provision. This was confusing for the dismissed workers concerned who could not access provision available to former colleagues;

- The former is an issue impacting on perception of solidarity and equality. These core goals of the EGF can be considered to be insufficiently implemented, particularly in relation to the involvement of supplier companies and individuals on non-standard contracts in the measures. The latter can partly be attributed to the nature of restructuring processes, which often develop over a period of time and often include companies’ shedding their “flexible workforce” early on, meaning that they are often no longer with the company if and when mass redundancies occur;

- National capacity and information sharing issues. In some cases this was the first experience for partners of delivering Commission funded provision, therefore monitoring and reporting requirements took some time to understand. Of more consequence, however, was the fact that delivery challenges were encountered where partners were unclear about time periods of eligibility and activities eligible for EGF funding.

6.2. Impact of measures on participants, localities and implementing bodies

The outcomes and success (or otherwise) of EGF cases is largely assessed by looking at employment integration outcomes. This is clearly an important indicator, but should not be considered as the sole measure of benefits achieved. Other, less tangible outcomes relate to distance travelled towards the labour market, even if sustainable labour market integration was not achieved during or within a measured period following EGF intervention. Many stakeholders remarked that beneficiaries had significantly increased in confidence, renewed and improved their job search skills and upgraded their skills and capacities, making it more likely for them to find employment.

It is notable that employment outcomes achieved vary widely within and across countries, and within and across sectors and years of implementation, demonstrating that outcomes achieved are closely linked to local circumstances and the effectiveness of the implementation model and partnership. Overall, integration rates varied widely between 4-78%. For illustrative

purposes, in Spain (with 3 cases) it ranged from 15-40%, in the textiles sector (in different Union countries) from 4-65% and in year 2008 from 6-78%.

On the whole those with higher underlying skills and qualification levels were significantly more likely to find new employment. Those with very low or outdated skill levels experienced more difficulties and the same is true for women with caring responsibilities, whose flexibility in relation to working hours might be more limited. Other hindering factors to successful integration include the specific local labour market situation (also influenced by the position in the economic cycle).

Case study research in the majority of cases demonstrates the significant link between the national restructuring framework and the design and implementation of EGF measures (e.g. in relation to the public policy framework particularly for active labour market policy, the role and resourcing of the PES, the role played by the social partners and the legislative framework etc).

It is difficult to disentangle the effectiveness of different measures implemented in relation to employment and integration outcomes as it was generally a package of measures which service to achieve these goals. Some analysis which was possible on the basis of detailed data in Lithuania shows that any single given measures on its own was less successful than the receipt of a package of measures. Of particular relevance were the provision of tailor made, personalised assistance and access to training. Here it is important to note that, in line with European Guidelines, many PES have been actively working to increase the provision of personalised assistance to job seekers (through profiling, counselling and the development of individual action plans), there is a significant difference between this support and that provided by PES or other nominated agencies for EGF beneficiaries. The key differences are:

- A lower ratio between counsellors and jobseekers: in many national PES this ratio is at best 1:150 and at worst 1:700. EGF (and other support) in many cases contributed to reducing this ratio significantly (e.g. the ratio between transfer company counsellors and beneficiaries in the German EGF cases was between 1:30 and 1:50);
- A higher frequency of personal meetings: while many registered unemployed jobseekers meet their PES counsellor once a month or even less frequently, contact was much more regular and often possible at the request of the beneficiary (sometimes even twice a week);
- Availability of this service to all workers affected irrespective of their profile, previous employment status or length of unemployment: in many countries, profiling and personalised PES advice is only available to job seekers meeting certain conditions (usually related to length of unemployment). EGF support therefore allows for earlier personalised intervention, which has been shown to have more successful integration outcomes;
- Availability of a nominated counsellor familiar with the individual's circumstances: although many PES are striving towards a model of providing named counsellors for job-seekers, considering the volume of clients being dealt with, this is often not possible, whereas in most EGF cases offering personalised counselling this was the case. This enables not only the recruitment of counsellors skilled in assisting workers affected by mass layoffs (psychological training etc) but also prevents beneficiaries from feeling that they have to repeat their story and requirements to a stranger each time;

- A potentially greater emphasis on working towards delivering sustainable employment outcomes: as some of the remarks made by stakeholders in the German cases highlight, in some countries the emphasis of PES provision is clearly on earliest possible re-integration. While this is generally a very desirable goal, it was felt that matching (even to temporary or fixed-term vacancies) is often done at the expense of offering or completing training which could contribute to a more sustainable re-integration;
- Stronger contacts with employers to determine their requirements and to source “hidden vacancies” not reported to the PES: in cases where EGF support was delivered by external agencies, a particular added advantage was their regional and local expertise and contacts with employers and their explicit role in sourcing vacancies and providing targeted matching services to employers;
- The availability of a broader spectrum of measures which can be offered: in many cases counsellors were able to refer EGF beneficiaries to a wider range of suitable measures than would otherwise have been available to PES beneficiaries;
- The ability of counsellors to follow-up beneficiaries post-placement in employment: in an ordinary PES context such follow-up is either not offered at all or is offered only to certain target groups (e.g. those with health problems). This support was offered in some EGF funded cases and was considered to be particularly valuable for individuals who had worked with the same employer for a considerable period of time and where not used to different company cultures.
- The ability to acquire additional training or re-training was among the most important success factors for EGF beneficiaries. With regard to training offered, the following factors are important to bear in mind as they often contribute to the success of measures with regard to achieving successful labour market outcomes:
 - Achieving a strong link between qualifications offered and local/regional labour market requirements: This can be ensured through harnessing the knowledge of the delivery organisations and the close involvement of the local offices of the PES in the designs of training measures.
 - The ability to achieve the right mix between training measures which enhance existing skills and make them more marketable and measures which enhance professional mobility by allowing individuals to explore occupations and sectors they had not previously considered.

6.3. Impact on delivery organisations and localities

Emerging evidence points to learning effects achieved in the delivery organisations involved in the EGF assistance. These include embedding learning into mainstream practice and enhancing experience with the management of large-scale redundancies. These impacts will be analysed in more detail in the draft final report.

In addition to benefits realised by individuals, there were a number of impacts on localities which were evident from the case studies undertaken. It is also important to state that the reemployment of individuals has important benefits for the state in terms of reduced social security costs but also has wider social benefits for beneficiaries’ families and local communities as it prevents social discord which can accompany unemployment. Further analysis of this aspect will be contained in the draft final report.

6.4. Overall use and efficiency of use of resources

The budget implementation rate shows the extent to which the approved EGF funding was spent in each EGF case to fund the measures planned to assist the dismissed workers. The rate differs significantly across the 15 cases evaluated, from 1% to 99%. There is a range of factors behind this variation, ranging from the arrival of the EGF funding at the locality, adequate communication, planning, capacity and coordination structures, local economic climate and rapidly changing conditions on the labour market.

The majority of interviewees (67 %) were of the opinion that the resources had been used efficiently. Only 7 % answered that the resources had not been used efficiently and 26 % were of the opinion that they had been used very efficiently. Very little information is available which would allow a comparison between the cost and cost efficiency of resources used in the EGF cases compared to, for example, similar measures implemented by the PES or other agencies involved in managing restructuring in the Member States. For the next report, further work will be carried out to seek to compare the cost of different measures in the same countries and in different countries, but it must be considered that the veracity of such an analysis may well be limited and can only be understood in the full context of national and local cost structure as well as the types of beneficiaries being addressed.

With regard to outcomes achieved, some analysis is possible comparing similar PES measures for EGF and non-EGF beneficiaries and their employment outcomes, as well as, for example the outcomes achieved by transfer agencies or vocational training agencies (as in the case of France) in restructuring cases or a similar scale or localities. On the whole, they appear to show more positive outcomes being achieved with additional EGF funding, but analysis in this area will be elaborated further for the draft final report.

6.5. Sustainability outcomes

For many cases, the sustainability of the outcomes of EGF cases proved difficult to analyse. Information on the sustainability of labour market outcomes is available for 9 out of 15 cases. This data shows contradictory trends. The employment rate of EGF beneficiaries has:

Increased over time in Piemonte, Finnish (Perlos), Spanish (Castilla y Leon / Aragon) and both Portuguese cases.

Declined over time in Lithuanian (Alytaus Tekstile) and Sardinian cases."

7. ADDED VALUE OF THE UNION INVOLVEMENT

As indicated in the Communication²¹ on the MFF the European Social Fund (ESF) will provide funding for structural actions for economic, social and territorial cohesion. This funding will be concentrated on the key priorities of the Europe 2020 strategy, namely employment promotion, investment in skills, education and life-long learning, social inclusion and the fight against poverty as well as enhancing institutional capacity and efficient public administration. The ESF consists of multi-annual programmes in support of strategic, long-term goals, in particular the anticipation and management of change and restructuring.

²¹ COM(2011) 500 final, 29.6.2011.

As indicated in the same Communication, the Common Agricultural Policy (CAP) will maintain its current two-pillar structure and will continue to provide direct support to farmers and to support market measures, entirely funded by the Union budget. It will also continue to deliver specific environmental public goods, improve the competitiveness of the agriculture and forestry sectors and promote the diversification of economic activity and quality of life in rural areas under its second pillar, and in particular under the support provided by the European Agricultural Fund for Rural Development (EAFRD).

The EGF, in its turn, is established to provide European Union solidarity by means of time-limited support to workers being made redundant and to farmers needing to change production sector in exceptional circumstances and outside the multi-annual programming routine.

7.1. Subsidiarity

The legal basis of the EGF in its current form is the third paragraph of Article 175 of the TFEU, i.e. it is considered a specific action necessary to strengthening the economic, social or territorial cohesion of the Union. Actions from the EGF shall complement actions of the Member State at national, regional and local level, including those co-financed by the structural funds.

The objectives of demonstrating solidarity at Union level in exceptional circumstances to that part of the workforce that has been negatively impacted by globalisation, an unexpected crisis or trade agreements, cannot be sufficiently achieved by the Member States alone. They can be better achieved at Union level taking into account that the EGF is an expression of solidarity across and between Member States. Mobilising a financial contribution from the EGF will require the agreement of both arms of the budgetary authority, thus expressing solidarity by the Union and the Member States. In this way, the proposal will contribute to making the objective of Union solidarity in exceptional circumstances more tangible for that part of the labour force affected in particular and for Union citizens in general.

8. MONITORING AND EVALUATION

As in the current Regulation on the functioning of the EGF the future EGF Regulation will provide for a mid-term evaluation to assess the effectiveness and sustainability of results obtained (by 30 June 2018) and an ex post evaluation to measure the impact of the EGF and its added value (by 31 December 2022).

At the level of the individual applications the Commission will continue to monitor specifically the achievement of the operational objectives, in terms of number of workers benefited from the support and reintegrated into employment or new activities after 12 and 24 months of implementation, on the basis of interim and final reports on each case. The obligation for Member States to deliver this information will be laid down in the future EGF Regulation.

Moreover, with the technical assistance, the exchange of good practice for the purpose of mutual learning will be promoted and proposed.