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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**

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The EGF one year on

One of the main themes of the Renewed Social Agenda² 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mobilisation of the necessary funds by the EU Budgetary Authority; five remained under consideration, and one was withdrawn (to be re-submitted at the beginning of 2008 after some technical modifications).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 management³. 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

¹ 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)

² COM(2008) 412 of 02.07.2008

³ 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. 4.

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 applications⁴. 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

⁴ 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 markets⁵. 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.

⁵ 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

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>		

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. 1927/206)		639,500	3.4%
Total		18,610,968	100%

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

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

(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 1681/94⁶ 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.

⁶ 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