III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

478TH PLENARY SESSION HELD ON 22 AND 23 FEBRUARY 2012

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-20)'

COM(2011) 608 final — 2011/0269 (COD)

(2012/C 143/09)

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On 24 and 25 October 2011 respectively, the Council and the European Parliament decided to consult the European Economic and Social Committee, under Articles 175(3) and 304 of the Treaty on the Functioning of the European Union (TFEU), on the

Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014 – 2020)

COM(2011) 608 final – 2011/0269(COD).

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 9 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 23 February), the European Economic and Social Committee adopted the following opinion by 158 votes to 10 with 8 abstentions.

1. **Conclusions, recommendations**

1.1 The EESC welcomes the fact that the Commission has tabled a proposal to continue the Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund. At the same time, the Committee is not convinced that all proposals from the Commission will solve the problems with the fund. The number of applications for the EGF has been – and still is – very low and the EESC does not believe that extending the fund to agriculture is the right way to address this shortcoming. Instead, the Committee suggests some additional measures to improve utilisation of the EGF, for instance by lowering the thresholds and fastening the procedure, since the instrument itself has performed relatively well in the cases in which it has been applied.

1.2 One of the causes of that underutilisation is the slow and bureaucratic procedure of the EGF due to its specific character. The Commission cannot decide without involving both the European Parliament and the Council. Once the budget authority is involved certain very time-consuming procedures are necessary that have, in any event, resulted in all applications being approved. This administrative approval process is very costly and the expenditure involved could be better used.

1.3 The EESC suggests lowering the threshold for applications to 200 redundancies instead of the proposed 500. It also recommends increasing the co-financing from the EU to 75 % to further improve the utilisation of the EGF. The EESC further welcomes the fact that the notion of "worker" has been extended to people with fixed-term contracts and temporary agency workers. The EESC agrees that the EGF also should be extended to self-employed workers. They are substantial and important players on the labour market and are amongst the first ones that are affected by the consequences of both globalisation and economic crises. The EGF was never meant for assistance of employers and therefore the EESC disagrees to extend the EGF to owners/managers of SMEs. DG Enterprise has a separate section dedicated to SME policies with substantial supporting programmes. EGF should not interfere with these programmes.

1.4 The EESC would like to suggest two more possibilities to improve the performance of the EGF. The first is to inform SMEs about the possibilities of the EGF with a massive information campaign, the second to involve the social partners right from the start of the procedure with applications for the fund. The EESC also wishes to express it's astonishment at the decision of the Council of December 2011 to withdraw the possibility of using the EGF to combat unexpected social consequences of the economic crisis during the last 2 years of the current duration of the fund (2012 and 2013). Especially as the overview of the applications show that the fund performed well in that aspect. The EESC therefore urges the Council to reconsider this decision and wants to make it absolutely clear that it wishes to include this dimension in the continuation of the fund from 2014 till 2020.

1.5 The EESC disagrees with the proposal to extend the EGF to agriculture but acknowledges that something has to be done for that sector when future trade agreements like the Mercosur Treaty come into force. Mercosur will be profitable for the EU as a whole, but within the Union the advantages will accrue to industry and services, whereas agriculture will have to pay the bill. The Commission expressed its expectation that future trade agreements may have the same impact. It is fair to compensate agriculture for those kind of disadvantages, but that should be done with a tailor-made solution for the sector, for instance through the Structural Funds linked to the common agricultural policy. The EESC urges that the EGF, which was set up to help workers who have lost their jobs re-enter the labour market, should continue to be reserved for that purpose.

1.6 The EESC urges that the Fund continue to operate during a period of crisis and that provision be made for its use, for example, in relation to the "offshoring"/"reshoring" of industrial activity in the EU.

2. **Gist of the Commission proposal**

2.1 In March 2006 the Commission submitted a proposal for a European Globalisation Adjustment Fund (EGF). It was aimed at providing specific, one-off support to facilitate the re-integration into employment of workers who lost their jobs in certain areas or sectors because of serious economic disruption such as delocalisation of jobs to third countries, a massive increase of imports or a progressive decline of the EU market share in a given sector. The major criterion for EGF funding was the occurrence of more than 1 000 redundancies in a company or in a group of companies within the same sector in one or two contiguous regions.

2.2 The EGF was established for the duration of the programming period 2007-2013. Measures included were retraining, relocation assistance, assistance for business start-ups and supplementary income benefits. The EGF intervenes at the request of a Member State. The amount paid by the EU was not to exceed 50 % of the total estimated cost of the complete set of measures envisaged by the Member State. In 2009 the criteria for support were adjusted due to the pressure of the economic crisis. The number of redundancies required was decreased from 1 000 to 500 and the participation of the EU in EGF projects was increased from 50 % to 65 %.

2.3 In October 2011 the Commission tabled a proposal for a regulation of the European Parliament and the Council to continue the EGF for the programming period 2014-2020 to contribute to the objectives of the Europe 2020 strategy, and to extend the provision of support to agriculture. In order to ensure that EGF support is available to workers independently of the nature of their contract of employment or employment relationship, the notion of "workers" is extended to include not only workers with contracts of employment of indefinite duration but also workers with fixed-term contracts, temporary agency workers and owner-managers of micro, small and medium sized enterprises and self-employed workers, including farmers. The participation of the EU in EGF projects will vary from 50 to 65 %.

2.4 The Commission proposed that the EGF remains placed outside the Multiannual Financial Framework (MFF) because of the unforeseeable and urgent character of the circumstances which warrant its deployment. Expenditure at Union level should be results-oriented. For expenditure related to the EGF, the MFF sets the target that at least 50 % of workers assisted through the EGF should find a new and stable job within 12 months. In order to enable the Commission to monitor whether Member States are successfully striving towards this target, they have to submit an interim report after 15 months.

3. **General comments**

3.1 The EGF was set up as some sort of First Aid, an instrument that made it possible for the EU to give a quick and flexible response to support employees who lost their jobs due to the consequence of globalisation. The available capital for the EGF was EUR 3.5 billion for the entire seven-year period from 2007 till 2013. In the first five years, from 2007 to 2011, slightly more than EUR 364 million was used out of the 2.5 billion that was available for that period. The most important reasons for the modest utilisation of the EGF were the slow and bureaucratic administrative procedure, the high threshold of 1 000 workers and the low 50 % co-financing level. Utilisation improved in 2009 after the threshold for application was lowered from 1 000 employees to 500 employees, the threshold for co-financing by the EU was increased from 50 % to 65 % - under certain conditions - and applications were permitted not only to fight the consequences of globalisation but also to combat the consequences of the economic crisis.

3.2 After those adjustments, utilisation of the EGF went up from eight applications in 2007 and five in 2008 to 29 in 2009 and 2010. In 2011 eight applications have been approved, another 18 are still under assessment. The EGF has been used more to combat the consequences of the crisis than to fight the consequences of globalisation: there have been 53 crisis applications in three years (from the extension of the EGF in 2009 to cover the consequences of the crisis until November 2011) against 26 globalisation applications in five years. The 53 crisis applications targeted 48 607 workers and the 26 globalisation applications targeted 28 135 workers, so that in total 76 742 workers were assisted to keep up their employability.

3.3 The mid-term evaluation of the EGF has analysed how many of the workers involved found another job within one year based on 15 final reports that were available at that time from the period 2007–2009. The average re-employment rate was 41.8 %. The re-employment rates exceed the 50 % benchmark in 6 out of the 15 first EGF co-financed cases, while they fall short of the target in 9 out of 15 cases. The variation of re-employment outcomes achieved is vast: from the high of 78.2 % in a case in Germany to significantly lower rates of 4-6 % in cases in Portugal, Spain and Italy. In the interests of achieving comparable levels of effectiveness, consideration should be given to linking part of the support granted to the outcomes of the assistance. In the medium term (12+ months after the conclusion of EGF assistance) re-employment rates did increase in the majority of cases (where information was available) despite the impact of the global economic crisis unfolding in the local economies. The employment rate of EGF beneficiaries increased over time in 8 cases and decreased in 3 cases. In average the re-employment rate over these cases increased by 7 percentage points. The overall conclusion that apart from the modest use of the Fund the results are good seems justifiable.

3.4 What has not been addressed is the third reason for the modest use of the EGF, the fact that the Fund does not have a budget of its own. The budgetary authority, in this case the European Parliament and the Council, therefore has to decide separately for each and every application whether it deserves support. Despite the fact that the model, an instrument outside the existing EU structures, made a quick and flexible response possible, the administrative procedure that had to be followed for reasons of accuracy is a very long and bureaucratic one. One must bear in mind the high costs of the approval process, such as translation into 22 languages, meeting rooms, meeting documents, participants' time and interpretation, at the various different stages of the approval process. Every application has been approved and the question arises whether the money spent on the approval process should not be redirected for the benefit of the affected workers. The advantage of the current procedure for the EGF is that the procedure is very transparent and that it makes the EU's commitment to fighting social exclusion visible. Though transparency and visibility are of utmost importance something has to be done to speed up the procedure and reduce costs.

3.5 Other possible models are mentioned in the proposal and the accompanying documents [1] are integration of the EGF into the ESF or continuation of the EGF as an independent body with a budget of its own. Both models have advantages and disadvantages. The main disadvantage if the EGF were to be integrated into the ESF would be the necessity for a clear allocation from the EU budget, in spite of the fact that it is impossible to plan or programme mass redundancies. Clear advantages would be consistency and complementarities with the ESF, possible shortening of the decision-making process and simplification and streamlining of EGF applications. Option 3, continuing the EGF as an independent EU body with its own budget has, besides a number of disadvantages, only one advantage: greater visibility of European solidarity.

4. **Specific comments**

4.1 First of all, the EESC wishes to express its astonishment at the decision of the Council of December 2011 to withdraw the possibility of using the EGF to combat unexpected social consequences of the economic crisis where First Aid is required during the last two years of the current duration of the fund (2012 and 2013). The overview of EGF applications up to 17 November 2011 shows very clearly that the fund performed relatively well in that aspect and less well in fulfilling its original aim of fighting the consequences of globalisation. In each of 2009 and 2010, 23 applications to fight the consequences of the crisis were approved, against six applications to combat the consequences of globalisation. The EESC therefore urges the Council to consider that as long as the crisis is not over the EGF also can be used to combat the consequences of the crisis. The EESC wants to make absolutely clear that it wishes to include the extension to combat the consequences of the economical crisis in the continuation of the Fund while further lowering the barriers for applications.

4.2 Although the number of applications increased after 2008, the appeal made to the EGF is still very modest. It therefore seems logical to lower the thresholds for applications more than proposed. In the preliminary findings of the EGF mid-term review is stated in relation to decreasing the threshold for the number of redundancies from 1 000 to 500: "However, in some contexts, this reduced number would still be considered too high, as even a loss of 200-300 jobs could cause a significant shock to the local and regional contexts." The existing threshold (of 500 employees) might still be too high if we look at the ongoing processes of delocalisation and outsourcing. The EESC therefore suggests lowering this threshold to 200 employees.

4.3 The EESC would like to suggest two more possibilities to improve the performance of the EGF. SMEs are in general too small and have too little resources to be fully up to date with the possibilities the EU creates in certain circumstances. Probably a lot of SMEs that are struggling with the problems the EGF offers a solution for don't even know of the existence of this fund and therefore cannot profit from it. The EESC assumes there is a world to win when owners/managers of SMEs would be informed about the possibilities of the EGF with a massive information campaign. Another idea that might have a positive impact of the performance of the EGF might be to involve the social partners right from the start of the procedure with the applications for the fund.

4.4 The assessment so far has given some evidence that the strong reservations of Member States during the first stage of the functioning of the EGF were partly based on the high own contribution that had to be paid. For this reason, the proportions were modified in 2009, and it seems as if this has had a positive effect. As the current crisis still requires firm active labour market instruments, the EESC recommends increasing co-financing from the EU to 75 % to further improve the utilisation of the EGF.

[1] SEC (2011) 1130, 1131 and 1133 final.

4.5 The Commission proposes to continue with the same model as the current EGF, as a crisis instrument outside the financial framework. The disadvantage of this model is the slow and bureaucratic procedures involved. The bureaucracy lies partly in bottlenecks in Brussels and partly in bottlenecks in the Member States. The EESC urges the Commission to try to find a solution for these bottlenecks sot the procedure will become more flexible and faster and will no longer be experienced as a barrier by potential applicants. Applications for instance are made by regions, but they have to go through the national level. That slows down the process considerably, a lot of efficiency can be gained by reconsidering these kind of procedures.

4.6 The EESC welcomes the fact that in the new regulation the notion of "workers" has not been limited to people with employment contracts with indefinite duration but that it has been extended to people with fixed-term contracts and temporary agency workers. The EESC has reservations with the inclusion of self-employed workers. The EGF has been set up as a flexible instrument to support employees who have lost their jobs due to the consequences of globalisation. The status of self employed is very diverse in the Member States. It ranges from highly skilled experts with a strong labour market position to economically dependent self employed who are in fact in the same position as employees to mini undertakings formed by one person. A large proportion of these self employed form an important part of the labour market. Self employed are among the first that will be hid by the consequences of both globalisation and economic crises. Therefore the EESC proposes to include these labour market participants in the EGF to prevent unemployment and to stimulate a better utilisation of the fund.

4.7 As far as owners/managers of SMEs are concerned the EESC keeps its hesitations. When they are owners/managers of an SME that employs people they are employers and they don't qualify as the EGF is set up for employees that have lost their jobs. Assistance of the undertakings involved could easily create a distortion of competition with other SMEs. Applications to the EGF for this group would interfere with the policy of DG Enterprise for SMEs with a broad supply of education, training and innovation programmes and therefore the EESC is of the opinion that owners/managers of SMEs as such are not eligible. The employees of these SMEs however are included when they loose their job due to unexpected consequences of the globalisation and meet the other conditions of the EGF.

4.8 The EESC disagrees with the extension of the EGF to farmers. The Commission justifies its proposal to allocate as much as 80 % or more of EGF resources to farms with a reference to the negotiations on future trade agreements. The EU has already calculated that treaties like the Mercosur Treaty between the EU and a number of South American countries will be profitable for the Union as a whole, but within the EU it is primarily industry and services that will profit, while the disadvantages will affect agriculture. Many of those future agreements are likely to have the same outcome.

4.9 The proposal states that the EGF is to provide "one-off support to workers made redundant as a result of major structural changes triggered by the increasing globalisation of production and trade patterns." In the next paragraph the Commission adds 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 adaption to a new market situation resulting from the conclusion by the Union of trade agreements affection agricultural products."

4.10 There are a few important reasons why the EGF isn't an appropriate instrument to extend to agriculture. The problems agriculture will face as a consequence of these trade agreements will be structural as future treaties are likely to have the same outcome and the EGF only will be a temporary instrument. On top of that trade agreements like the Mercosur Treaty usually are under negotiation for years and cannot be considered as "serious disruptions of the local, regional or national economy caused by an unexpected crisis." They will be serious disruptions of the local, regional or national economy caused by intentional and carefully prepared actions of the European Union. It goes without saying that agriculture should be compensated for that burden. But that should be done by a tailor-made instrument for agriculture. The EESC urges that the EGF, which was set up to help workers who have lost their jobs re-enter the labour market, should continue to be reserved for that purpose.

Brussels, 23 February 2012.

The President
of the European Economic and Social Committee
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