

Establishing the European Globalisation Adjustment Fund (EGF)

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This Communication reviews the European Globalisation Adjustment Fund (EGF) in 2007, after one year in operation and makes suggestions as to immediate and longer term ways to improve its performance.

The 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, the EGF became operational from 1 January 2007. It 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mobilisation of the necessary funds by the EU Budgetary Authority; five remained under consideration, and one was withdrawn (to be re-submitted at the beginning of 2008 after some technical modifications).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 EUR 18.6 million or 3.7% of the maximum amount of EUR 500 million allowed under the Interinstitutional Agreement on budgetary discipline and sound financial management. The funds were used for active labour market measures for the 5,113 workers concerned.

The Commission notes that take-up is limited, partly due to the favourable economic climate in 2007. The limited take-up could also reflect, however, Member States' uncertainty about eligibility for funding. Although the EGF can intervene immediately once workers are made redundant, 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.

Immediate steps to improve the operation of the EGF:

- Simplify procedures: the Commission will simplify its procedures to respond quickly to Member States on the eligibility of their applications. 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.

Adjusting the EGF Regulation: 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 examining ways in which the Fund could be modified, within the present budgetary limits, so as to improve its performance.

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

- Expanding the scope of the EGF to smaller redundancy events: the general requirement of at least 1,000 redundancies could be reduced in order to give more flexibility to Member States to present applications, including for SMEs and isolated labour markets. 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.

The Commission concludes that it 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.