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COMMISSION OF THE EUROPEAN COMMUNITIES

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

on the activities of the European Globalisation Adjustment Fund in 2008

1. INTRODUCTION

The European Globalisation Adjustment Fund ("EGF") was established by Regulation (EC) No. 1927/2006¹ ("the EGF Regulation"²) with the aim of showing solidarity with, and providing support to, workers made redundant as a consequence of major structural changes in world trade patterns. It was designed as a means to reconcile the overall long-term benefits of open trade in terms of growth and employment with the short-term adverse effects which globalisation may have, particularly on the employment of the most vulnerable and least qualified workers.

Article 16 of the EGF Regulation states that the Commission shall present to the European Parliament and to the Council, before 1 July of each year, a quantitative and qualitative report on the activities of the EGF in the previous year. The report shall focus mainly on the results achieved by the EGF and shall in particular contain information relating to applications submitted, decisions adopted, and actions funded, including their complementarity with actions funded by the Structural Funds, notably the European Social Fund (ESF), and the winding-up of financial contributions made. It shall also document those requests that have been refused owing to a lack of sufficient appropriations or to non-eligibility.

2. GENERAL OVERVIEW OF THE ACTIVITIES OF THE EGF IN 2008

In 2008, the Commission received five applications for a contribution from the EGF. These applications, submitted by three Member States, related to 6 587 redundancies and requested a total amount of EUR 20 626 022. After an in-depth analysis of their eligibility, the Commission had submitted three of these applications to the Budgetary Authority by 31 December 2008, while the two others were still being assessed.

A total of EUR 49 035 729 (i.e. 9.8 % of the annual amount available to the EGF) was granted in 2008 in eight EGF contributions, five of which were for applications received in 2007 and three for applications received in 2008. These funds were used to co-finance active labour market policy measures (mostly job-search allowances, training and employment incentives) targeted at 9 941 redundant workers in five Member States.

For the first time in 2008, the Commission received reports on the implementation of EGF contributions. These reports showed that the EGF had directly contributed to the re-integration into employment of 2 158 workers who had been made redundant in the automotive industry and the mobile phone sector. The final reports also suggested that the EGF contributions allowed the Member States concerned to improve the package of measures benefiting to the redundant workers, in particular through the implementation of innovative social actions and an extended duration of support, which would not have been available without the EGF contribution.

¹ OJ L406, 30.12.2006, p.1. Technical errors in the EGF Regulation were corrected in 2008 and published in OJ L48, 22.02.2008, p.82, for all languages and also in OJ L202, 31.7.2008, p.74, for the English language only.

² The "EGF Regulation" refers to the Regulation that was in force on 31 December 2008, notwithstanding amendments to this Regulation that were adopted since then.

3. FOLLOW-UP OF THE 2007 ANNUAL REPORT ON THE ACTIVITIES OF THE EGF

Article 20 of the EGF Regulation provides for the possibility to review this Regulation on the basis of the first annual report on the activities of the EGF in order to "*ensure that the solidarity objective of the EGF is met*". The Commission therefore indicated in its first annual report on the EGF, adopted as an integral part of its Renewed Social Agenda³ on 2 July 2008⁴, that it would examine ways of improving its impact and simplifying its procedures.

The report outlined a number of issues which would be examined with a view to proposing changes to the EGF Regulation before issuing its next annual report. The Commission suggested several reasons why it had received only few applications for contributions from the EGF during its first year of operations. These included uncertainty about the eligibility for funding, the high threshold number of redundancies to trigger an EGF contribution and the short period for implementing measures funded by the EGF. The Commission therefore undertook a deeper analysis of the expectations and needs of the main EGF stakeholders (representatives of the Member States, and of social partner organisations at national and European levels) by way of a questionnaire and a conference held in Brussels on 4 September 2008. It emerged from the consultation that most stakeholders favoured a renewed EGF which could intervene in a broader scope of events, which could provide support for workers in mass redundancies involving fewer than 1 000 workers, and which could be used during a longer implementation period. Most Member States also raised the issues of the co-financing rate (i.e. 50 %), which was considered insufficient for those Member States already struggling with the deteriorating economic climate.

In its European Economic Recovery Plan⁵, published on 26 November 2008, the Commission once again stated that it would revise the rules of the EGF so that the European Union could help the workers hit by the crisis and address their long-term job prospects. On 16 December 2008, with a view to mitigating the social impact of the economic crisis, it adopted a proposal for a Regulation amending the EGF Regulation⁶ which contained the following major provisions:

- a reduction of the application threshold from 1 000 redundant workers to 500;
- an extension of the implementation period from 12 to 24 months;
- an increase in the co-financing rate from 50 to 75 %⁷;

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Renewed social agenda: Opportunities, access and solidarity in 21st century Europe, COM(2008) 412 final of 2.7.2008.

⁴ Communication from the Commission to the European Parliament and the Council on Solidarity in the face of change: The European Globalisation Fund: 2007 Review and Prospects, COM(2008) 421 final of 2.7.2008.

⁵ Communication from the Commission to the European Council on A European Economic Recovery Plan, COM(2008) 800 final of 26.11.2008.

⁶ Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund, COM(2008) 867 of 16.12.2008.

⁷ The amending Regulation as adopted by the European Parliament and the Council in 2009 provides for a temporary increase in the co-financing rate from 50 to 65 % until the end of the 'crisis' derogation, set on 31 December 2011.

- a temporary derogation by way of which workers made redundant as a result of the global financial and economic crisis would be eligible for assistance, provided the applications based upon that criterion were presented before the end of 2010.

4. ANALYSIS OF THE ACTIVITIES OF THE EGF IN 2008

4.1. Applications received in 2008

The Commission received five applications for a contribution from the EGF in 2008, including one application which had been withdrawn in 2007 and was re-submitted at the beginning of 2008. Three of these applications were approved by the Budgetary Authority in 2008, while the two remaining ones were still being assessed by the Commission services at the end of the year.

Table 1 – Applications received in 2008

Application (Reference)	Date of application	Intervention criterion	EGF support requested (Euro)	Workers made redundant	Workers targeted for assistance
Toscana (IT) (EGF/2008/01)	12.2.2008	b	3 854 200	1 558	1 558
DELPHI (ES) (EGF/2008/02)	6.2.2008	a	10 471 778	1 589	1 589
Alytaus Tekstilė (LT) (EGF/2008/03)	8.5.2008	a	298 994	1 089	600
Castilla y León and Aragón (ES) (EGF/2008/04) ⁸	29.12.2008	b	2 694 300	1 082	588
Cataluña (ES) (EGF/2008/05)	29.12.2008	b	3 306 750	1 269	1 100
Total			20 626 022	6 587	5 435

No applications were refused in 2008, either on grounds of ineligibility or due to a lack of sufficient appropriations.

4.1.1. Applications received in 2008 per Member State

Three Member States applied for assistance from the EGF in 2008: Spain (three applications), Italy (one application) and Lithuania (one application).

4.1.2. Applications received in 2008 by the amount of contribution requested

The Member State applying for EGF support must design a coordinated package of measures that best fits the targeted workers' profile and decide the amount of assistance it requests from the EGF. The EGF Regulation does not recommend nor limit the total amount requested, but the assessment of an application by the Commission services may raise questions which cause the applicant Member State to revise the proposed package of personalised services, thereby affecting the amount requested.

⁸ As revised on 23 February 2009.

The EGF contributions requested in 2008 ranged from EUR 298 994 in the Lithuanian application (EGF/2008/03) to EUR 10 471 778 in the Spanish application in respect of the DELPHI case (EGF/2008/02).

4.1.3. Applications received in 2008 by the number of workers targeted for assistance

The number of redundant workers directly targeted for measures funded by the EGF in 2008 amounted to 5 435. It ranged from 588 workers in the application prepared by Spain in respect of former workers of the automotive industry in Castilla y León and Aragón (EGF/2008/04) up to 1 589 workers in the Spanish application related to DELPHI (EGF/2008/02). Three of the five applications submitted in 2008 targeted over 1 000 redundant workers while two contributions aimed a perceptibly smaller number (600 workers for EGF/2008/03 and 588 in EGF/2008/04).

The difference in the number of workers targeted for EGF support can in some cases result from the choice of the applicant Member State to provide support to all the dismissed workers or to focus the assistance on only some of them, in particular those who face exceptional difficulties in remaining in the labour market.

4.1.4. Applications received in 2008 by the amount of contribution requested per worker

The package of individualised services that the applicant Member States propose for the redundant workers concerned is at their discretion, within the terms of the EGF Regulation. The amount requested per worker affected can therefore vary according to the severity of the redundancy event, the situation of the labour market affected, the individual circumstances of the workers targeted, the measures already provided by the Member State...

In practice, the amounts proposed per worker in 2008 varied from just below EUR 500 in the case of Lithuania (EGF/2008/04) to over EUR 6 500 in the case of the Spanish application related to the DELPHI case (EGF/2008/02).

4.1.5. Applications received in 2008 by intervention criteria

Two of the applications submitted in 2008 were made on the basis of Article 2(a) of the EGF Regulation which refers to redundancies in an enterprise and its suppliers and downstream producers. The three other applications of 2008 were based on Article 2(b) which targets redundancies in a same NACE 2 division in one region or two contiguous regions at NUTS II level.

4.2. Contributions granted in 2008

The Budgetary Authority took eight Decisions granting funding from the EGF in 2008: five were related to applications submitted in 2007 which had not yet been approved by the end of that year, while the three other Decisions were based on applications received and assessed in 2008.

The Budgetary Authority did not reject any proposal put to it by the Commission for funding from the EGF, nor did it modify the proposals.

Table 2 – Contributions granted in 2008 in terms of financing decisions

Application (Reference)	Date of application	Intervention criterion	Decision of the Budgetary Authority (Date)	Financing Decision of the Commission (Date)	EGF Support granted (Euro)
Sardegna (IT) (EGF/2007/05)	9.8.2007	b	2008/916/EC (19.11.2008)	C (2008) 8074 (8.12.2008)	10 971 000
Piemonte (IT) (EGF/2007/06)	10.8.2007	b	2008/916/EC (19.11.2008)	C (2008) 8070 (8.12.2008)	7 798 750
Lombardia (IT) (EGF/2007/07)	17.8.2007	b	2008/916/EC (19.11.2008)	C (2008) 8071 (8.12.2008)	12 534 125
Textiles (MT) (EGF/2007/08)	12.9.2007	c	2008/370/EC (10.4.2008)	C (2008) 2176 (22.5.2008)	681 207
Lisboa-Alentejo (PT) (EGF/2007/10)	9.10.2007	b	2008/370/EC (10.4.2008)	C (2008) 7278 (21.11.2008)	2 425 675
Sub-total for applications received in 2007					34 410 757
Toscana (IT) (EGF/2008/01)	12.2.2008	b	2008/916/EC (19.11.2008)	C (2008) 8073 (8.12.2008)	3 854 200
DELPHI (ES) (EGF/2008/02)	6.2.2008	a	2008/818/EC (22.10.2008)	C (2008) 7292 (24.11.2008)	10 471 778
Alytaus Tekstilė (LT) (EGF/2008/03)	8.5.2008	a	2008/818/EC (22.10.2008)	C (2008) 7278 (21.11.2008)	298 994
Sub-total for applications received in 2008					14 624 972
Total					49 035 729

Table 3 – Contributions granted in 2008 in terms of workers helped

Application (Reference)	Sector affected	Workers made redundant	Workers targeted for assistance	EGF Support granted (Euro)	Average amount per targeted worker (Euro)
Sardegna (IT) (EGF/2007/05)	Textiles	1 044	1 044	10 971 000	10 509
Piemonte (IT) (EGF/2007/06)	Textiles	1 537	1 537	7 798 750	5 074
Lombardia (IT) (EGF/2007/07)	Textiles	1 816	1 816	12 534 125	6 902
Textiles (MT) (EGF/2007/08)	Textiles	675	675	681 207	1 009
Lisboa-Alentejo (PT) (EGF/2007/10)	Automotive	1 549	1 122	2 425 675	2 162
Sub-total for applications received in 2007		6 621	6 194	34 410 757	5 555
Toscana (IT) (EGF/2008/01)	Textiles	1 558	1 558	3 854 200	2 474
DELPHI (ES) (EGF/2008/02)	Automotive	1 589	1 589	10 471 778	6 590
Alytaus Tekstilė (LT) (EGF/2008/03)	Textiles	1 089	600	298 994	498
Sub-total for applications received in 2008		4 236	3 747	14 624 972	3 903
Total		10 857	9 941	49 035 729	4 933

4.2.1. Actions funded

Article 3 of Regulation 1927/2006 provides that the EGF can co-finance only active labour market measures aiming at the re-integration of the redundant workers into employment. In addition, it sets out that the EGF may finance Technical Assistance activities carried out by the Member State to facilitate the preparation, management, information, publicity and control of the use of the contribution.

The breakdown of the estimated costs of the proposed actions in the eight EGF contributions granted in 2008, along with their supporting Technical Assistance activities, is given in the table below.

Table 4 – Actions funded in 2008 on the basis of the EUROSTAT classification⁹

EUROSTAT Classification of Labour Market Policy (LMP) Interventions		EGF Amount (Euro)	% of total
LMP services		30 537 989	62.28 %
1	Client services (job-search assistance, career guidance, skills certification...)	4 519 185	9.22 %
	Job-search allowances	26 018 804	53.06 %
LMP measures		16 718 820	34.09 %
2	Training	7 899 843	16.11 %
	Training allowances	3 033 250	6.19 %
3	Job rotation and job sharing	N/A	N/A
4	Employment incentives	4 709 608	9.60 %
4.1	Recruitment incentives	2 666 896	5.44 %
4.2	Employment maintenance incentives	2 042 712	4.17 %
5	Supported employment and rehabilitation	N/A	N/A
6	Direct job creation	N/A	N/A
7	Start-up incentives	1 076 119	2.19 %
Technical Assistance (Article 3 of R. 1927/2006)		1 778 920	3.63 %
Total		49 035 729	100 %

4.2.2. Profile of the workers benefiting from EGF assistance

The contributions granted in 2008 aimed at supporting a total of 9 941 redundant workers in five Member States (see Annex - Profile of the workers targeted for EGF assistance in 2008).

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

The EGF and the ESF are major EU instruments aiming at increasing employability and ensuring rapid re-integration into the labour market through the implementation of active labour market policy measures. Their complementarity lies in their ability to address those issues in two different temporal perspectives: while the EGF provides tailor-made assistance to redundant workers in response to a specific, European scale mass redundancy event, the ESF acts in support of strategic, long-term goals (e.g. increase of human capital, management

⁹ This table does not perfectly correspond to the methodology used by EUROSTAT as described in "Labour market policy database – Methodology – Revision of June 2006" because some of the measures co-financed by the EGF do not fit any of its categories (e.g. job-search allowances and training allowances). The categories of the EUROSTAT classification that are marked N/A in this table were not proposed by the Member States in the eight EGF interventions approved in 2008.

of change) through multi-annual programmes. In the light of the social impact of the recent economic crisis, the Commission proposed in its European Economic Recovery Plan to amend the functioning of both Funds, so that they could react with greater flexibility for the duration of the crisis.

A good example of successful complementarity between the ESF and the EGF can be found in the BenQ case (EGF/2007/03) for which a contribution was granted in 2007. In that case assistance was provided to redundant workers who accepted to register into a 'Transfer company' (*Transfergesellschaft*) within which measures carried out under ESF programmes¹⁰ were also made available to the workers dismissed by BenQ. Some of those workers first benefited from a short-term training co-financed by the ESF to obtain the European Computer Driving Licence, which was followed by a 5-month training leading to a qualification as a "Management assistant" co-financed by the EGF.

4.2.4. Results achieved

The main source of information on the results achieved by the EGF is the final report to be presented by the Member State no later than six months after the end of the intervention period of the EGF, as stated in article 15 of the EGF Regulation.

In 2008, the Commission received three final reports related to the following applications: PSA (France), Renault (France) and BenQ (Germany). These final reports highlighted the added value of the EGF as it allowed both Member States to use successful new approaches (e.g. interaction in peer groups, increased guidance and counselling) specifically designed for low-skilled workers over 45 years old. Besides, in the case of BenQ, the EGF made it possible to extend the duration of some training and counselling measures beyond the usual period and thus offered reinforced and more effective assistance.

PSA (EGF/2007/01)

In the first application submitted to the EGF on 9 March 2007, France targeted 267 workers made redundant in suppliers to the French car maker PSA. According to the final report, 256 of those workers benefited from EGF supported measures. At the end of the EGF implementation period, 106 workers assisted (41 %) were still unemployed while 150 (59 %) had found sustainable employment, as follows:

- 76 worked under a contract of indefinite duration;
- 20 had created their own enterprise;
- 54 worked under a fixed-term contract or a temporary contract with a duration longer than six months.

Renault (EGF/2007/02)

In the second application for EGF support received on 23 March 2007, France initially targeted 628 workers made redundant in suppliers to Renault. The final report showed that

¹⁰ The so-called ESF Federal Employment Office programme, the operational programme objective 2 of the Land North Rhine Westphalia and the programme of the Free State of Bavaria.

366 of these had benefited from measures funded by the EGF, whereas 262 had considered themselves able to find a job without any additional measures or had already found a job before the start of the co-financed measures. At the end of the implementation of the EGF support, 133 of the targeted workers (36 %) were either unemployed or involved in jobs or training programmes with a duration of less than six months. In addition, 105 (29 %) of them were involved in training programmes with a duration of at least six months while 129 (35 %) had found sustainable employment, as follows:

- 77 worked under a contract of indefinite duration;
- 10 had created their own enterprise;
- 42 worked under a fixed-term contract or a temporary contract with a duration longer than six months.

BenQ (EGF/2007/03)

On 27 June 2007, Germany submitted an application for an EGF contribution initially targeting for support 2 400 workers who had been made redundant by BenQ, a mobile phone producer. The implementation report showed that out of the 2 528 redundant workers who had actually registered in the 'Transfer company' (*Transfergesellschaft*) set up on 1 January 2007 in order to benefit from active labour market policy measures, 561 (22 %) were still unemployed at the end of the EGF implementation period, 88 were no longer available on the labour market (for reasons of long-term training, illness or retirement), while 1 879 (74 %) had found sustainable employment, among whom 77 had created their own enterprises.

Table 5 – Results reported in final reports received in 2008

	EGF/2007/01 PSA (France)	EGF/2007/02 Renault (France)	EGF/2007/03 BenQ (Germany)	Total
Number of workers initially targeted	267	628	2 400	3 295
Number of workers not needing EGF help	9	262	-	271
Number of workers helped	256	366	2 528	3 150
Of which received:				
<i>Training / Re-training</i>	<i>198 (77 %)</i>	<i>198 (54 %)</i>	<i>256 (10 %)</i>	<i>652 (21 %)</i>
<i>Job-search / Training allowances</i>	<i>256 (100 %)</i>	<i>-</i>	<i>2 528 (100 %)</i>	<i>2 784 (88 %)</i>
<i>Job-search assistance / Counselling</i>	<i>-</i>	<i>366 (100 %)</i>	<i>2 055 (81 %)</i>	<i>2421 (77 %)</i>
<i>Entrepreneurship incentives</i>	<i>-</i>	<i>-</i>	<i>99 (4 %)</i>	<i>99 (3 %)</i>
<i>Employment incentives</i>	<i>150 (59 %)</i>	<i>38 (10 %)</i>	<i>408 (16 %)</i>	<i>596 (19 %)</i>
Number of workers re-integrated into employment after EGF intervention	150 (59 %)	129 (35 %)	1 879 (74 %)	2 158 (69 %)

4.2.5. *Technical Assistance activities undertaken by the Commission*

Information and publicity

Article 9 of the EGF Regulation 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

In 2008, the EGF website (<http://ec.europa.eu/egf>) recorded 81 206 pages consulted by 36 937 visitors. The most popular pages in 2008 were the EGF main page, the pages giving an overview of applications received and the key documents related to the EGF. The EGF leaflet the Commission had produced in 2007 was downloaded almost 2 800 times over the year 2008.

In line with the requirements of Article 9 EGF Regulation, the Commission services have translated the EGF website into all 23 Community languages.

EuroBarometer

The Standard EuroBarometer wave 70 was carried out from 6 October to 6 November 2008. To the question "*Have you ever heard or read about the European Globalisation adjustment Fund that is a fund to help victims of globalisation?*", people were asked to answer as follows:

- "Yes, and you are very familiar with it", or
- "Yes, but you are not very familiar with it", or
- "No, you have never heard or read about it".

Results – not yet published by the time this report was being drafted – show that across the EU-27, 22 % of people had heard of the EGF, although only 3 % were very familiar with it, while 71% had never heard of the EGF.

Meetings with the National Authorities and social partners

The third meeting of the 'Expert group on Contact Persons of the European Globalisation Adjustment Fund' (code E2100), composed of representatives of the Member States, took place on 6 March 2008.

In order to prepare for the revision of the EGF Regulation, the Commission services invited the EGF stakeholders to a conference held in Brussels on 4 September 2008. The aim of the event was to meet the Member States and social partners to discuss the responses to the questionnaire sent out in July 2008 and the core issues identified in the 2007 Annual Report on the EGF (see 3. above).

4.2.6. *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, 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. In addition, Article 12 of the EGF Regulation states that at least 25 % 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 2008 the Budgetary Authority decided to mobilise the EGF for eight applications and for an amount of EUR 49 035 729 (see Tables 2 and 3 above, on contributions granted from the EGF).

Technical assistance expenditure

Technical assistance at the initiative of the Commission, as defined in Article 8 of the EGF Regulation, was not available in 2008.

Irregularities reported during 2008

There were no irregularities reported to the Commission under Regulation (EC) No 1681/94 in 2008 in respect of the EGF.

Irregularities closed during 2008

There were no irregularities closed in 2008.

4.2.7. *Winding up of financial contributions made*

None of the contributions granted since the start of the EGF were wound up in 2008.

Annex - Profile of the workers targeted for EGF assistance in 2008

Application (Reference)	Date of application	Workers made redundant	Workers targeted for assistance	Of which:						Of which with a long-standing health problem or disability ¹¹
				Women (%)	Non EU- citizens	15-24	25-54	55-64	65+	
Sardegna (IT) (EGF/2007/05)	9.8.2007	1 044	1 044	427 (41 %)	1	5	899	138	2	N/A
Piemonte (IT) (EGF/2007/06)	10.8.2007	1 537	1 537	1 013 (66 %)	55	23	1 347	167	0	N/A
Lombardia (IT) (EGF/2007/07)	17.8.2007	1 816	1 816	1 230 (68 %)	71	6	1 537	272	1	N/A
Textiles (MT) (EGF/2007/08)	12.9.2007	675	675	533 (79 %)	0	242	401	32	0	4
Lisboa-Alentejo (PT) (EGF/2007/10)	9.10.2007	1 549	1 122	339 (30 %)	16	39	1 024	59	0	12
Sub-total for applications received in 2007		6 621	6 194	3 542 (57 %)	143	315	5 208	668	3	N/A
Toscana (IT) (EGF/2008/01)	12.2.2008	1 558	1 558	746 (48 %)	998	102	1 276	175	5	N/A
DELPHI (ES) (EGF/2008/02)	6.2.2008	1 589	1 589	23 (2 %)	0	2	1 524	63	0	5
Alytaus Tekstilė (LT) (EGF/2008/03)	8.5.2008	1 089	600	494 (82 %)	0	4	372	224	0	34
Sub-total for applications received in 2008		4 236	3 747	1 263 (38 %)	998	108	3 172	462	5	N/A
Total		10 857	9 941	4 805 (48 %)	1 141	423	8 380	1 130	8	N/A

¹¹ According to national classifications.