Committee on Employment and Social Affairs

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DRAFT REPORT

on the activities, impact and added value of the European Globalisation Adjustment Fund between 2007 and 2014
(2015/2284(INI))

Committee on Employment and Social Affairs

Rapporteur: Marian Harkin

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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(2015/2284(INI))

The European Parliament,

– having regard to Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006,

– having regard to Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund,

– having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund,

– having regard to the report from the Commission to the European Parliament and the Council on the activities of the European Globalisation Adjustment Fund in 2013 and 2014 (COM(2015)0355),

– having regard to the ex-post evaluation of the European Globalisation Adjustment Fund (EGF) – Final report of August 2015,

– having regard to Special Report No 7/2013 of the Court of Auditors entitled 'Has the European Globalisation Adjustment Fund delivered EU added value in re-integrating redundant workers?',

– having regard to its resolution of 29 September 2011 on the future of the European Globalisation Adjustment Fund[1],

– having regard to its resolution of 7 September 2010 on the funding and functioning of the European Globalisation Adjustment Fund[2],

– having regard to the resolutions it has adopted since January 2007 on the mobilisation of the EGF, including the comments of the Employment and Social Affairs Committee (EMPL) on the respective applications,

– having regard to the deliberations of the Committee on Employment and Social Affairs special working group on the EGF,

– having regard to Rule 52 of its Rules of Procedure,

– having regard to the report of the Committee on Employment and Social Affairs and the

[1] Texts adopted, P7_TA(2011)0431.
[2] Texts adopted, P7_TA(2010)0303.

opinions of the Committee on Budgets, the Committee on International Trade, the Committee on Budgetary Control, the Committee on Regional Development and the Committee on Women's Rights and Gender Equality (A8-0000/2016),

A. whereas the objective of the EGF is to contribute to smart, inclusive and sustainable economic growth and the promotion of sustainable employment;

B. whereas the EGF was initially established to provide support to workers made redundant as a result of major structural changes in world trade patterns due to globalisation; whereas, by way of derogation, the scope of the EGF was expanded to include workers made redundant as a result of the global financial and economic crisis from 2009 to 2011, and this scope was further expanded to permanently include the crisis criterion and self-employed individuals from 2014 to 2020;

C. whereas the minimal redundancy threshold was reduced from 1 000 redundancies to 500 redundancies, with the possibility that, in exceptional circumstances, or in small labour markets, an EGF application would be considered where the redundancies have a serious impact on employment and on the local, regional or national economy;

D. whereas, until 31 December 2017, young people not in employment, education or training (NEETs) in regions eligible under the Youth Employment Initiative can benefit from EGF support in numbers equal to the number of targeted beneficiaries;

E. whereas the current EGF aims not only to support redundant workers but also to demonstrate solidarity towards those workers;

F. whereas the original EGF budget was EUR 500 million per year; whereas the current budget is EUR 150 million per year, with an average annual spend of EUR 70 million since its inception;

G. whereas, while the initial co-funding rate was 50 %, this was increased to 65 % for 2009-2011, reverted back to 50 % for 2012-2013, and is now 60 %;

H. whereas the EGF is an emergency fund and remains outside the Multiannual Financial Framework (MFF);

I. whereas there have been 134 applications from 20 Member States, relating to122 121 targeted workers, and whereas a total of EUR 561.1 million has been requested;

J. whereas EGF measures are found to have most value in cases where these measures have been personalised and are complementary to mainstream provision;

K. whereas the reference period for the assessment of the EGF for the purposes of this report is 2007-2014; whereas the Commission's ex-post evaluation covers the period 2007-2013 and the Court of Auditors report audits the period 2007-2012;

1. Welcomes the ex-post evaluation of the EGF and the first biennial report; notes that the Commission complies with its reporting obligation; considers that these and other reports contribute to the transparency and efficiency of the EGF;

2. Considers that the functioning of the EGF has been improved by reforms to the

regulation;

3. Notes that the reduced appropriations earmarked for the EGF in the annual budget have been sufficient to provide the necessary assistance to date; emphasises however that in the event of a significant increase in applications the appropriations should continue to ensure the effective functioning of the EGF;

4. Observes the significant increase in the number of applications during the derogative period 2009-2011, which allowed applications on the basis of crisis-related criteria;

5. Supports the Commission's work on developing standardised procedures for EGF applications and management using the functionalities of the electronic data exchange system (SFC), which allows for the simplification of applications for Member States and speeds up the processing of applications; calls on the Commission to ensure that the system also allows for better and improved reporting;

6. Calls on the Commission to better anticipate the effects of trade policy decisions on the EU labour market; opposes any initiative to consider the EGF, in its current form, as an intervention tool for jobs lost in the European Union as a result of trade strategies decided at EU level, including future trade agreements or those already in place;

7. Notes that some Member States have preferred to use the ESF rather than the EGF because of higher ESF co-financing rates, swifter implementation of ESF measures, the lack of EGF pre-financing and the lengthy EGF approval procedure; believes however that the increased co-financing rate and the more timely application and approval process contained in the new regulation have helped address some of these concerns;

8. Notes the conclusion of the Court of Auditors with regard to the lengthy EGF approval procedure; expects that the more timely procedure introduced in the current regulation has improved the situation; strongly recommends that all Member States start implementing the measures as soon as their applications are sent to the Commission, and is pleased that many Member States already do so;

Beneficiaries of the EGF

9. Welcomes the conclusion in the Court of Auditors report that nearly all EGF-eligible workers were offered personalised and well-coordinated measures; believes that the involvement of the targeted beneficiaries or their representatives, the social partners and other relevant stakeholders in the initial assessment and application is essential in order to ensure positive outcomes for beneficiaries;

10. Notes that the average share of beneficiaries aged 55 or over was 15 % and of beneficiaries aged 15-24 was 5 %; welcomes therefore the emphasis in the new regulation on older and younger workers and the inclusion of NEETs in certain applications;

11. Notes that, according to the ex-post evaluation, the average beneficiary reach rate across all 73 cases examined was 78 %. This includes 20 cases with beneficiary reach rates of 100 % or more; insists however that the maximum reach rate for any case is 100 % and therefore the use of figures greater than 100 % skews the data to suggest a significantly

higher reach rate than the actual one; calls on the Commission to adjust its figures to provide a more accurate assessment of beneficiary reach rates;

12. Welcomes the fact that positive outcomes other than re-employment and skills updating were experienced by beneficiaries, including psychological benefits such as improved self-esteem, greater feelings of empowerment and increased motivation;

13. Notes that information on the characteristics of new employment was difficult to obtain; however, a survey carried out as part of the ex-post evaluation produced mixed results, with 35 % stating the quality of new employment was better or far better, 24 % stating it was the same and 41 % stating it was worse or far worse;

Cost effectiveness and added value of the EGF

14. Welcomes the fact that just 6 % of EGF funds were spent on administrative and management costs;

15. Notes that the most significant aspect of cost effectiveness as identified in the stakeholder consultations was the number of re-employed workers who are now paying taxes and social security contributions instead of drawing on unemployment or other social benefits;

16. Notes the proposal in the ex-post evaluation that a counterfactual impact evaluation is an important element in understanding the added value of the EGF; notes that such an evaluation is not yet in place;

17. Welcomes the conclusion from the Court of Auditors that the EGF delivered EU added value when used to co-finance services for redundant workers or allowances not ordinarily existing under Member States' unemployment benefit systems;

18. Regrets the fact that one third of EGF funding compensates national workers' income support schemes with no EU added value; notes the restriction in the current regulation where such costs are capped at 35 % and believes that this cap should be lowered;

19. Regrets the fact that budget implementation rates range from 3 % to 110 %, with an average implementation rate of 55 %;

20. Is satisfied with the conclusion that, generally, Member States effectively coordinated the EGF with ESF and national labour market measures and that no instances of overlap or double-funding of individuals was detected during the Court of Auditors audit;

Impact on SMEs

21. Notes that SMEs account for 85 % of all EU enterprises and, in this context, expresses concern that the EGF has had a very limited impact on SMEs, despite the fact that it clearly provides scope for SMEs to be targeted;

22. Recognises the challenges faced by applications under Article 4(b) of the current regulation for SMEs; strongly recommends that these additional challenges be recognised and accommodated by the Commission and the Member States in the planning and application stages and that adequate resources be allocated to the

management and delivery of these cases;

23. Calls on the Member States to proactively support redundant workers in SMEs using the flexibility provided for in Article 4(2) of the current regulation;

Data requirements

24. Believes that, in the context of a number of complicating factors such as potential data omissions, regional and national specificities, different macro- and micro-economic circumstances, small sample sizes and certain necessary assumptions, the Commission's methodological approach is largely rigorous and transparent;

25. Is concerned that the Court of Auditors report concludes that no quantitative re-integration objectives were set and that existing data is not adequate to assess the effectiveness of the measures in re-integrating workers into employment; recommends therefore that the Member States set quantitative re-integration objectives and systematically differentiate between EGF, ESF and other national measures specifically designed for workers affected by mass redundancies; the Member States should furthermore distinguish between the two main types of EGF measures, i.e. active labour market measures and income support paid to workers, as well as providing more detailed information on the measures accessed by individual participants in order to allow a more accurate cost-benefit analysis of different measures;

26. Reminds the Member States of their obligation to provide data on re-integration rates 12 months after the implementation of the measures;

27. Recommends the strengthening of information flows and support arrangements between the National Contact Person and the regional or local case delivery partners;

28. Recommends that more regular peer reviews, cross-national exchanges or partnering of new EGF cases with previous EGF cases, where possible, be implemented in order to exchange good practices and implementing experiences;

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29. Instructs its President to forward this resolution to the Council, the Commission, and to the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

<u>Background</u>

Initially the EGF was established by Regulation EC No. 1927/2006 to allow solidarity with workers who has lost their jobs in large scale redundancies as a result of major structural changes in world trade patterns due to globalisation where these redundancies have a significant adverse impact on the regional or local economy.

From 2007 - 2009 the intervention criteria was at least 1,000 redundancies occurring over a four month period in an enterprise in a Member State or over a nine month period particularly in SMEs in a NACE 2 sector in one region or two continuous regions at NUTS 2 level. In 2009, the threshold was reduced to 500 workers. Since its inception there was also the possibility for Member States to use the EGF in exceptional circumstances, or in small labour markets where the intervention criteria was not met, when the redundancies concerned had a serious impact on employment and the local economy.

The scope of the Fund was broadened between 2009 and 2001 and from 2013 onwards to include workers made redundant as a result of the global financial and economic crisis. Furthermore since 2013, self-employed persons were included and in regions eligible under the Youth Employment Initiative a number of NEETs equal to the number of targeted beneficiaries were also included.

- ***Eligible Actions***

Initially financial assistance was provided for ‘active labour market measures that form part of a coordinated package of personalised services designed to re-integrate redundant workers into the labour market’[1]. In the 2013 Regulation, this was extended to include ‘in particular disadvantaged, older and young unemployed persons into employment or self-employment’[2].

Eligible actions include tailor made training and retraining, job search assistance, mentoring, entrepreneurship promotion and for self-employment, business start-ups and employee take-overs and mobility and subsistence or training allowances.

Funding for all eligible actions is conditional on the active participation of the targeted beneficiaries in job search or training activities. Furthermore, actions which are the responsibility of enterprises by virtue of national law or collective agreements, as well as passive social protection measures, shall not be funded.

- ***Finance***

The EGF is an emergency instrument and is outside the Multi-Annual Financial Framework. A reserve fund was set up from which it can draw its annual appropriations. The annual appropriations in the EU budget earmarked for the EGF were cut from €500 million per annum in 2007 to €150 million for the current regulation. The average funding allocated over the 8 year period from 2007 to 2014 was €70 million per annum. The co-financing rate was

[1] Regulation (EU) No 1927/2006, Article 3
[2] Article 7.1

initially 50%, this was increased to 65% for the period 2009-2001, reduced to 50% again during 2012 and 2013 and increased to 60% for the 2013 regulation for the period 2014 to 2020.

When the EGF application has been approved by the Parliament and Council, the Commission shall pay the financial contribution to the Member State concerned in a single 100% pre-financing payment, in principle within 15 days. Initially the Member States had to use the EGF funding within 12 months but it was extended to 24 months in the 2009 regulation and that timeframe remains in the 2013 regulation. Technical assistance of 0.35% was allocated to the Commission in the initial regulation but that has increased to 0.5% in the 2013 regulation.

- ***Timelines and Reporting***

The new Regulation enforces stricter timelines on both Member States and the Commission. Member States must now submit an application within 12 weeks of the redundancies occurring with a further 6 weeks to respond to any additional information request. The Commission then has 12 weeks to complete its assessment. The Commission then makes a proposal to both the European Council and the European Parliament for each eligible application and must obtain the approval of both institutions before paying the agreed amount to the Member State.

Within 6 months following the completion of the EGF programme Member States must present a final report to the Commission on the implementation of the EGF. The 2013 Regulation specifies in more detail the information that must be included in this final report. In the original regulation the Commission were required to publish an annual report while under the new regulation, a biennial report is stipulated. In particular a requirement to include statistics on the reintegration rate for assisted workers is a new requirement in the biennial report. The Commission is also required to carry out a mid-term evaluation on the effectiveness and sustainability of the results achieved as well as an ex-post evaluation in conjunction with external experts to measure the impact of the EGF and its added value.

Member States are, in the first instance, responsible for the management of actions under the EGF as well as financial control of the actions. The Commission must take every step necessary to verify that the actions financed are carried out in accordance with the principles of sound and efficient management. Commission officials may carry out on the spot checks with a minimum of one day’s notice. In the case where the actual cost of EGF actions are less than the estimated amount, the Commission will require the Member States concerned to reimburse the corresponding amount of the financial contribution originally received.

Beneficiaries

On the whole the EGF has provided personalised and well-coordinated measures for redundant workers. It is very important that there is genuine involvement of the workers or their representatives, the social partners and other relevant stakeholders in drawing up the application. As the EGF is a flexibility instrument it allows for innovative action and tailor made interventions. Given that the objective of the EGF is to promote sustainable employment it is crucial to assess the number of beneficiaries re-entering the labour market.

According to the Ex-post evaluation of the EGF the re-employment rate varied from 4% to

98% with an average re-employment rate of 49%. Re-employment rates are dependent on a number of factors including education attainment, age of the beneficiary, unemployment rates in the region or nationally, urbanisation of regions, the skills profile of the workers, the influence of regional growth etc. The impact of the EGF policy mix on re-employment rates was analysed in relation to two EGF measures; individual case management and training/retraining. Both of these were found to have a positive relationship with re-employment rates, however only individual case management was found to be statistically significant.

Evidence shows that tailored, individualised and intensive support to redundant workers often leads to successful outcomes. Also the ability to deliver measures that are additional to national measures is key as well as the flexibility inherent in the instrument. Other positive outcomes for beneficiaries include positive psychological impacts, increased adaptability and labour market flexibility. Furthermore, evidence shows the EGF contributed to social cohesion by helping large groups of people in acute need of assistance. This had positive spill over effects for the families of the beneficiaries and the wider community.

The analysis shows that the amount of total expenditure per EGF beneficiary (in 73 cases assessed in the Ex-post evaluation) indicates that the re-employment results achieved do not show consistent linear trends and that supply, demand and policy mix factors all played a significant role in determining re-employment rates. Evidence shows that different types of measures are associated with different re-employment rates but there is no clear, consistent pattern identified in terms of more costly measures associated with higher re-employment rates.

Furthermore the comparison of outcomes and costs of EGF cases, and other similar non-EGF funded redeployment projects, does not show a clear linear pattern. In this context it is important to say that the Ex-post evaluation recommends that assessment of the impact of interventions through a comparison with a credible control or comparison through a counterfactual impact evaluation (CIE) group is an important element in understanding the impact and added value of labour market interventions. This is helpful in understanding how much of the observed changes can actually be attributed to the intervention being evaluated.

Furthermore it states that there is a growing concentration of European funded programmes. The Commission´s own Guidance Document on Evaluation Plans for the programming period 2014-2020 outlines the requirements for an effective CIE and states that it is easier to meet all these conditions with appropriate planning from the outset. It is my understanding that to date, CIE has not been used in assessing EGF cases and I believe the Commission needs to follow its own advice in this matter.

The level of self-employment ranged from 44% to 0% with an average rate of self-employment of 5%. Self-employment rates were dependent on the extent of entrepreneurial supports in the original EGF package.

European Added Value

European added value can be defined as a measure of the difference made by using the EGF compared to Member State interventions. It is important to measure this added value as it helps to justify or challenge EU led policy actions such as the EGF.

It can be measured in four ways. Firstly, the volume effect which analyses how the EGF adds to existing actions, either through intensifying, expanding, supporting, enhancing or strengthening active labour market measures or national employment policies. Evidence analysed from many EGF cases indicated that the EGF had a significant volume effect.

Secondly, EGF funded measures broadened existing support for groups and in policy areas that would not otherwise have received support such as groups including prime age workers, persons still in employment and persons with a migrant background. Thirdly, EGF funding supported local/regional innovations that are adopted at national level as well as national innovations that are then mainstreamed.

Fourthly, evidence shows there were positive learning outcomes for the organisations involved. This included capacity building in terms of efficient management of the measures and the setting up of partnerships to deliver the EGF measures.

Reforms of the EGF

The EGF has undergone a number of reforms since 2006. These include the reduction in the intervention criteria from 1,000 redundancies to 500 redundancies. This means the EGF is more accessible to regions and to smaller Member States. There have been proposals to further decrease the number of redundancies but this has met with considerable opposition. However I believe Member States should make greater use of Article 4(2) which allows an application that does not meet the 500 threshold. Several applications have already been approved using this article.

The intervention period was extended from 12 to 24 months. This has allowed many beneficiaries to access more extended training or educational programmes. The 12 month period was quite restrictive and particularly where there was a delay in Member States applying EGF measures, it meant that beneficiaries were quite restricted in accessing certain measures.

Self-employed persons can now access EGF. I consider this reform as important as in some Member States self-employed persons have less social protection than other workers. This can discourage those who want to create jobs from doing so and at least the EGF can provide them with the same safety net as other workers.

NEETs are also included in the new regulation. This increases the reach of the EGF and evidence shows that maximising the number of participants may produce economies of scale. Furthermore it is an expression of solidarity with young unemployed persons in regions with high unemployment levels.

The level of co-financing is an issue for some Member States who prefer to use the ESF for example as it has a higher co-funding rate. The increase to 60% from 50% is a significant step to entice those Member States to consider using the EGF.

In regard to the inclusion of the crisis criterion, it is worth noting that during the 2009-2011 period where the crisis derogation was in place, the number of EGF applications increased significantly. In the context of the current regulation it recognises that the impact of the 2007 crisis is ongoing in certain sectors/countries and furthermore that the EGF should be able to respond to any new global financial or economic crisis.

Court of Auditors´ Report

The report from the Court of Auditors contained 6 conclusions and 3 recommendations. Many of these have been dealt with already in this report but it is worth re-iterating some of the points. In particular the need for Member States to set quantitative reintegration objectives and to distinguish between EGF and other measures as well as distinguishing between the two main types of EGF support. One of the criticisms of the EGF is that some Member States used significant amounts of EGF money to compensate national workers´ incomes support schemes. The Court of Auditors believes this use of European money does not deliver added value and therefore it is crucial that Member States assess the added value of this type of support specifically.

This report also criticises the lengthy EGF approval procedure- However recent reforms have introduced a more timely procedure and many Member States start implementing the measures as soon as they send in their application to the Commission.

One of the recommendations of the Court of Auditors was that the EU Institutions consider adapting the ESF framework as an alternative to the EGF. However many of the reasons supporting this argument have been dealt with in the new regulation such as timelines.