

**Opinion of the Committee of the Regions on 'European Globalisation Adjustment Fund for the period 2014-2020'**

(2012/C 225/12)

## THE COMMITTEE OF THE REGIONS

- welcomes the European Commission's proposal to continue the EGF for the period after 2013 and supports, in particular, the retention of aspects of the revised scope and intervention criteria that were introduced in 2009;
- regrets the decision of the Council not to continue the crisis derogation measures beyond 31 December 2011;
- recommends that support under the enterprise pillar of the EGF should benefit from higher rates of co-financing than other pillars so as to encourage enterprise creation and entrepreneurship;
- opposes the extension of the EGF to include farmers, as proposed, and underlines that the negotiation of trade agreements must ensure coherence with the aims of the Common Agricultural Policy;
- highlights that the current Regulation allows Member States to designate regions to apply directly for support from the EGF; therefore encourages Member States to exercise this option more regularly;
- considers that the proposal would benefit from more explicit references to local and regional authorities, in particular in Art. 8.2 where applications should include information on the procedures for consulting with local/regional authorities and also identify the agencies delivering the package of measures and in Art. 11.4 on guidance to local/regional authorities in using the EGF.

<b>Rapporteur</b>	Mr Gerry BREEN (IE/EPP), Member of Dublin City Council and Dublin Regional Authority
<b>Reference document</b>	Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020)  COM(2011) 608/3 final

## I. POLICY RECOMMENDATIONS

### THE COMMITTEE OF THE REGIONS

1. considers that the European Globalisation Adjustment Fund (EGF) is an important tool to intervene in cases of significant redundancies in order to avoid long-term unemployment at a time of difficult labour market conditions and is also an important European Union mechanism to show solidarity with workers who have lost their jobs;

2. acknowledges that the EGF has been able to support about 10 % of workers made redundant in the EU during 2009-2010 and that 40 % of workers targeted by the Fund have been successfully reintegrated into the labour market <sup>(1)</sup> but repeats its call on the European Commission and Member States to improve cooperation with local and regional authorities and other stakeholders in the implementation of the EGF;

3. endorses the European Social Fund (ESF) to support long-term active labour market policies and assist in unemployment prevention and early intervention, but considers that there is a need for a rapid intervention mechanism, such as the EGF, to assist at times of unemployment crises;

4. welcomes the European Commission's proposal to continue the EGF for the period after 2013 and supports, in particular, the retention of aspects of the revised scope and intervention criteria that were introduced in 2009. Notes that the rising number of applications since then shows a clear demand for intervention based on events of 500 redundancies or less but accepts that usage of the EGF to date has been well below its indicative budgetary ceiling;

5. supports the efforts to improve and simplify the EGF process but suggests that the following key challenges remain for the future of the EGF:

— more efficient and responsive – a truly rapid intervention mechanism;

— an appropriate and attractive option for Member States when faced with incidents of large redundancies, implying the need for simpler procedures, higher rates of co-financing; and greater flexibility in its application; and

— providing additionality – to go beyond and complement what other EU funds provide and supplementing measures required under national or community law or collective agreements;

6. considers that the proposed extension of the EGF to farmers affected by trade agreements illustrates a fundamental inconsistency between the EU's trade policy and its agricultural policy;

7. considers that extending the EGF to the agricultural sector is a very radical change to the nature of the EGF and is concerned that this proposal creates in effect two EGFs, one for workers in the agricultural sector and another for other workers, with different criteria, application procedures and management and financial control arrangements;

8. understands the rationale but questions whether the EGF and other proposed crisis mechanisms should be outside the scope of the Multiannual Financial Framework;

9. regrets the decision of the Council not to continue the crisis derogation measures beyond 31 December 2011 <sup>(2)</sup>, especially at a time when a number of economies are struggling to combat the impacts of the on-going 'sovereign debt crisis' and the resultant pressure on employment and deteriorating social conditions. Furthermore, regrets that this decision was taken at a time when the number of EGF applications has significantly increased, as a result of the derogations introduced in 2009, and when the Fund is delivering positive results;

10. emphasises that the decision of the Council should not prejudice the negotiations on the proposed EGF for 2014-2020;

### Coverage of the EGF

11. welcomes the extension of the EGF to owner-managers of micro, small and medium-sized enterprises and self employed workers but suggests that further clarification maybe required on the application of the EGF to the self-employed given the variation across the Member States on the unemployment status of such persons;

12. welcomes the flexibility to apply the EGF in small labour markets or in exceptional circumstances but suggests that the European Commission provides further guidance on criteria that

<sup>(1)</sup> COM(2011) 0500 final.

<sup>(2)</sup> Employment Affairs Council, December 1, 2011.

will be applied in such circumstances; highlights that the extent of the impact of redundancy in a locality or region must be considered and not just the absolute number of redundancies;

13. supports the inclusion of a financial provision for investment in physical assets for self-employment and business start-ups as it will enhance the package of services that the EGF can support; and recommends that support under the enterprise pillar of the EGF should benefit from higher rates of co-financing than other pillars so as to encourage enterprise creation and entrepreneurship;

14. highlights that access to third level education intervention is currently limited by the academic cycle, as the timing of the redundancy restricts the ability of the EGF to support affected workers for two full years of tuition; and proposes that redundant workers under the EGF should benefit from at least two full years of tuition with current restrictions being relaxed or funding front-loaded to allow for this;

15. underlines that the EGF must only support additional measures and not replace actions required by national or community law or collective agreements; highlights that there have been conflicts between the aims of the EGF and the inflexible nature of some national policy frameworks, which can hinder the effectiveness of the EGF; encourages Member States to view the EGF as an opportunity to develop new and dynamic approaches to supporting workers made redundant;

16. welcomes the proposal to allow Member States the possibility to amend the package of support services to workers by adding other eligible actions; requests that a maximum period be set (of say one month) whereby the European Commission agrees to such changes;

### **The Application Process - Faster Intervention and Simpler Procedures**

17. appreciates the desire of the EU Institutions to speed-up the application and approval procedures but regrets that the proposal is somewhat inadequate for mobilising the EGF as a truly rapid intervention mechanism;

18. considers that some of the measures aimed at enhancing the effectiveness of the EGF may in fact lead to greater administrative burdens and costs for the implementing authorities; underlines that more onerous control and reporting requirements may have the effect of making the EGF a less attractive option for Member States to deploy in times of employment crisis;

19. considers that, in the absence of national redundancy provisions, the application process would benefit from a direct and early involvement of workers or their representatives and suggests that authorities need to incentivise workers engagement with the process by demonstrating that they will be getting additional supports (over and above statutory supports) via the EGF;

20. proposes also that Article 8.2 provide for applications to include a profile of the redundant workers and an initial assessment of their education and training needs and ambitions for enterprise creation, in order to tailor an appropriate package of personalised supports to meet workers' requirements and expectations from the Fund;

21. proposes that as well as the social partners, Member States must also consult with the relevant local and regional authorities during the application process and applications should set out implementation procedures clearly, including inter-agency coordination, procedures for communicating with workers and informing them of the supports available and the procedures for applying;

22. suggests that guidance on the submission of applications also have reference to labour market intelligence and in particular the EU skills panorama <sup>(3)</sup>, so that measures funded under the EGF better match EU labour market needs and further considers that the mobility allowance provided for by the EGF Regulation could be used to support workers fill labour market skills gaps in other parts of the Union;

23. welcomes efforts to simplify the eligibility of costs – however, experience has shown that Member States are reluctant to incur costs until there is a decision on an EGF application; points out that this is resulting in unnecessary delays, disillusionment of workers and undermines the effectiveness and credibility of the EGF and suggests that greater certainty is required if workers are to be supported quickly;

24. recommends that the next Inter-Institutional Agreement speed-up the approval process; but if not proposes that the European Commission provides an interim payment to Member States, after its initial assessment and verification of an application, in an effort to provide more certainty, address the time critical nature of redundancy and reduce the delay in providing EGF funded supports to redundant workers;

<sup>(3)</sup> As set out in the Europe 2020 flagship initiative, An Agenda for New Skills and Jobs.

25. would hope that the quality of applications improves as familiarity with the EGF develops and in this regard encourages Member States to retain collective knowledge of the Fund and its implementation; further suggests that the European Commission identify experts with experience of the EGF application process who can be deployed to provide pre-application advice and exchange experience with potential new applicants;

### Co-financing Rates

26. bearing in mind the decision of the Council to reinstate the 50 % rate (from January 1, 2012), still supports the provision of a higher co-financing rate for the EGF than that proposed, in order to overcome the lack of co-financing resources and improve the attractiveness of the EGF;

27. considers that the proposed model for modulation of the co-financing rate (of 50 %-65 %) is inappropriate;

28. welcomes that some provision is made to cover costs associated with preparatory, management, information, publicity, control and reporting activities of authorities implementing an EGF application (Art 7.3) and suggests that this should be no more than 5 % of total costs;

### Extending the EGF to include the Agricultural Sector

29. opposes the extension of the EGF to include farmers, as proposed, and underlines that the negotiation of trade agreements must ensure coherence with the aims of the Common Agricultural Policy;

30. considers that the extension to the agricultural sector, by enabling farmers to adjust their activities within and/or outside agriculture, is partly inconsistent with the stated objectives of the Common Agricultural Policy to maintain agriculture in all territories and the desire to protect the diversity of the sector at European level;

31. asks, in the context of a reduced budget ceiling, a widening of the scope of beneficiaries and efforts to make the EGF more accessible/attractive, whether the balance in the proposed budgetary allocation is appropriate to the objective of the Fund, with a maximum of EUR 2.5 billion (of the EUR 3 billion total budget) being reserved for the agricultural sector; suggests that this would seem to be too high for the EGF as a rapid intervention instrument and too low to compensate for the projected real losses of the farming and food sectors if certain bilateral trade agreements are completed;

32. bearing in mind these fundamental reservations, of extending the scope to the agricultural sector, the Committee has a number of other comments on this aspect of the proposal:

— considers that the proposal is vague on when the EGF will apply to individual farmers, in particular, it's not clear what will be accepted as 'adjustments' to farm activity in response to market circumstances;

— feels, furthermore, that the proposed procedures for obtaining EGF support for the agricultural sector require the adoption of a number of delegated acts by the European Commission, which would require further consideration;

— considers that the granting of support for a period of three years following the implementation of a trade agreement is insufficient given that the impact of such agreements on agricultural activity may not be immediate;

— suggests that invoking the EGF for the agricultural sector should not be confined to farmers and farm workers but used to provide personalised supports to workers and suppliers in related downstream activities also affected by trade agreements, such as food processing;

33. acknowledges that the Fund should not be used to provide income support to farmers adversely affected by a trade agreement; considers that links with the European Agricultural Fund for Rural Development (EAFRD) are not sufficiently well developed in the proposal and suggests that the European Commission provide more detail in this regard.

### Role of Local and Regional Authorities

34. highlights that the potential of local and regional authorities has not been fully exploited by Member States in the use of the EGF and invokes the principle of partnership and multi-level governance<sup>(4)</sup> in the preparation and implementation of EGF applications and in the, monitoring and evaluation of the effectiveness of the Fund;

35. drawing on experiences to date, suggests that the EGF is more effective when there is a coordinated local inter-agency approach in the design and delivery of the coordinated package of measures for workers and when there are local points of contact to provide clear and consistent advice and guidance to redundant workers;

36. highlights that the current Regulation allows Member States to designate regions to apply directly for support from the EGF; therefore encourages Member States to exercise this option more regularly, especially where regions have competence for training, education and/or a role in enterprise support and development; considers that this would overcome

<sup>(4)</sup> Partnership and Multi-level Governance, as set out in the Regulation laying down common provisions for the Structural Funds and other EU funds (COM(2011) 615 final).

application delays and capacity issues at national level, where national ministries often do not have the necessary capability nor resources to design and deliver local/regional support services;

37. proposes that the European Commission compile a database of implementation best practice and that the guidance on the submission of applications (referred to in Art 12.2) include criteria on multi-level partnership;

38. feels that, during the on-going sovereign-debt crisis and the resultant pressure on public budgets, consideration may be given to extending the EGF to cases where the public sector is shedding significant numbers of employees and where this is having a negative effect on the labour market in some local/regional economies;

39. considers that the proposal would benefit from more explicit references to local and regional authorities, in particular in Art. 8.2 where applications should include information on the procedures for consulting with local/regional authorities and also identify the agencies delivering the package of measures and in Art. 11.4 on guidance to local/regional authorities in using the EGF;

40. considers that communication channels must be improved with; (a) clearer lines of communication between the authorities responsible for managing the EGF, from the European Commission to national and local/regional bodies; and (b) more effective personalised communication with beneficiary workers; and proposes in this regard that applications have a website with general information and a portal website allowing for confidential exchange of personal information between redundant workers and support agencies.

## II. RECOMMENDATIONS FOR AMENDMENTS

### Amendment 1

#### Recital 10

Text proposed by the Commission	CoR amendment
When drawing up the coordinated package of active labour market policy measures, Member States should favour measures that will significantly contribute to the employability of the redundant workers. Member States should strive towards the reintegration into employment or new activities of at least 50 % of the targeted workers within 12 months of the date of application.	When drawing up the coordinated package of active labour market policy measures, Member States should favour measures that will significantly contribute to the employability of the redundant workers. Member States should strive towards the reintegration into employment or new activities of at least 50 % of the targeted workers within 12 months of the date of <del>application</del> <u>approval of funding</u> .

#### Reason

It takes on average 12 to 17 months from the moment of the application until the approval of funding. Many Member States and local and regional authorities are not in a position to make financial resources available during this period. The requirement for at least 50 % of workers to have returned to employment within 12 months of the date of application will in some cases mean that no application for financial support is made at all.

### Amendment 2

#### Article 4, paragraph 2

Text proposed by the Commission	CoR amendment
<p><i>Article 4</i></p> <p><b>Intervention criteria</b></p> <p>2. In small labour markets or in exceptional circumstances, where duly substantiated by the applicant Member State, an application for a financial contribution under this Article may be considered admissible even if the criteria laid down in points (a) or (b) of paragraph 1 are not entirely met, when redundancies have a serious impact on employment and the local economy. The Member State shall specify which of the intervention criteria set out in points (a) and (b) of paragraph 1 is not entirely met.</p>	<p><i>Article 4</i></p> <p><b>Intervention criteria</b></p> <p>2. In small labour markets or in exceptional circumstances, where duly substantiated by the applicant Member State, <u>as in the case of small Member States or remote regions</u>, an application for a financial contribution under this Article may be considered admissible even if the criteria laid down in points (a) or (b) of paragraph 1 are not entirely met, when redundancies have a serious impact on employment and the local economy. The Member State shall specify which of the intervention criteria set out in points (a) and (b) of paragraph 1 is not entirely met.</p>

**Reason**

Recital (6) of the proposal covers this possibility and so, with a view to greater legal certainty, it should also be included in its articles. Since the proposal for an EGF directive explicitly mentions 'remote regions', the CoR considers it crucial that, on the basis of Article 349 TFEU, it be understood that the remote regions mean the outermost regions. This is so that they can also enjoy the series of derogations which would enable them to benefit fully from the Fund. It should also be borne in mind that the outermost regions contain the regions with the highest unemployment rates in Europe, and that the small size of their economies prevents them from building up businesses with the numbers of employees required to be eligible for EGF support, putting them at an obvious disadvantage.

**Amendment 3**

## Article 8.2

Text proposed by the Commission	CoR amendment
The application shall include the following information:	The application shall include the following information:
(a) a reasoned analysis of the link between the redundancies and the major structural changes in world trade patterns, or the serious disruption of the local, regional or national economy caused by an unexpected crisis, or the new market situation in the agricultural sector in the Member State and resulting from the effects of a trade agreement initialled by the European Union in accordance with Article XXIV of the GATT or a multilateral agreement initialled within the World Trade Organisation as per Article 2(c). This analysis shall be based on statistical and other information at the most appropriate level to demonstrate the fulfilment of the intervention criteria set out in Article 4;	(a) a reasoned analysis of the link between the redundancies and the major structural changes in world trade patterns, or the serious disruption of the local, regional or national economy caused by an unexpected crisis, or the new market situation in the agricultural sector in the Member State and resulting from the effects of a trade agreement initialled by the European Union in accordance with Article XXIV of the GATT or a multilateral agreement initialled within the World Trade Organisation as per Article 2(c). This analysis shall be based on statistical and other information at the most appropriate level to demonstrate the fulfilment of the intervention criteria set out in Article 4;
(b) an assessment of the number of redundancies in accordance with Article 5, and an explanation of the events giving rise to those redundancies;	(b) an assessment of the number of redundancies in accordance with Article 5, and an explanation of the events giving rise to those redundancies;
(c) the identification, where applicable, of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of targeted workers;	(c) the identification, where applicable, of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of targeted workers;
(d) the expected impact of the redundancies as regards the local, regional or national economy and employment;	(d) the expected impact of the redundancies as regards the local, regional or national economy and employment;
(e) the estimated budget for each of the components of the coordinated package of personalised services in support of the targeted workers;	(e) <u>a profile of the redundant workers and an initial assessment of their education and training needs and potential for enterprise creation;</u>
(f) the dates on which the personalised services to the affected workers and the activities to implement EGF, as set out in Article 7(1) and (3) respectively, were started or are planned to be started;	(ef) the estimated budget for each of the components of the coordinated package of personalised services in support of the targeted workers;
(g) the procedures followed for consulting the social partners or other relevant organisations as applicable;	(fg) the dates on which the personalised services to the affected workers and the activities to implement EGF, as set out in Article 7(1) and (3) respectively, were started or are planned to be started;
(g) the procedures followed for consulting the social partners or other relevant organisations as applicable;	(gh) the procedures followed for consulting <u>the redundant workers or their representatives</u> , social partners, <u>local and regional authorities</u> or other relevant organisations as applicable;

Text proposed by the Commission	CoR amendment
<p>(h) a statement of compliance of the requested EGF support with the procedural and material Union rules on state aid as well as a statement that the personalised services do not replace measures that are the responsibility of companies by virtue of national law or collective agreements;</p> <p>(i) the sources of national co-funding;</p> <p>(j) if applicable, any further requirements which may have been laid down in the delegated act taken in accordance with Article 4(3).</p>	<p><del>(h)</del> a statement of compliance of the requested EGF support with the procedural and material Union rules on state aid as well as a statement that the personalised services do not replace measures that are the responsibility of companies by virtue of national law or collective agreements;</p> <p>(j) <u>demonstrate additionality to existing national support measures and synergies with existing Operational Programmes under the Structural Funds;</u></p> <p><del>(i)</del> the sources of national co-funding;</p> <p>(j) if applicable, any further requirements which may have been laid down in the delegated act taken in accordance with Article 4(3).</p>

### Reason

These additions are included to ensure that applications for EGF assistance better meet redundant workers' needs and expectations and that the measures funded fully complement EU and national policy frameworks.

### Amendment 4

#### Article 11.4

#### *Technical assistance at the initiative of the Commission*

Text proposed by the Commission	CoR amendment
<p>The Commission's technical assistance shall include the provision of information and guidance to the Member States for using, monitoring and evaluating the EGF. The Commission may also provide information on using the EGF to the European and national social partners.</p>	<p>The Commission's technical assistance shall include the provision of information and guidance to the Member States for using, monitoring and evaluating the EGF. The Commission <del>may</del><u>will</u> also provide <u>clear guidance information</u> on using the EGF to the European and national social partners <u>and to local and regional authorities.</u></p>

### Reason

Self-explanatory.

### Amendment 5

#### Article 13.1

#### *Determination of financial contribution*

Text proposed by the Commission	CoR amendment
<p>The Commission shall, on the basis of the assessment carried out in accordance with Article 8(3), particularly taking into account the number of targeted workers, the proposed actions and the estimated costs, evaluate and propose as quickly as possible the amount of a financial contribution, if any, that may be made within the limits of the resources available. The amount may not exceed 50 % of the total of the estimated costs referred to</p>	<p>The Commission shall, on the basis of the assessment carried out in accordance with Article 8(3), particularly taking into account the number of targeted workers, the proposed actions and the estimated costs, evaluate and propose as quickly as possible the amount of a financial contribution, if any, that may be made within the limits of the resources available. The amount may not exceed <u>60</u><del>50</del> % of the total of the estimated costs referred to</p>

Text proposed by the Commission	CoR amendment
<p>in Article 8(2)(e) or 65 % of these costs in the case of applications submitted by a Member State on the territory of which at least one region at NUTS II level is eligible under the 'Convergence' objective of the Structural Funds. The Commission, in its assessment of such cases, will decide whether the 65 % co-funding rate is justified.</p>	<p>in Article 8(2)(e) or <u>75 %</u> <del>65 %</del> of these costs in the case of applications submitted by a Member State on the territory of which at least one region at NUTS II level is <u>'less developed' for the purposes eligible under the 'Convergence' objective of the Structural Funds or which is in receipt of assistance from the European Stability Mechanism or Balance of Payments Regulation.</u> <del>eligible under the 'Convergence' objective of the Structural Funds or which is in receipt of assistance from the European Stability Mechanism or Balance of Payments Regulation.</del> The Commission, in its assessment of such cases, will decide whether the <u>75</u><del>65</del> % co-funding rate is justified</p>

### Reason

The proposal from the European Commission lacks clarity, certainty and equity. In the context of the decision of the Employment Council on December 1, 2011, to return co-financing back to 50 %, the amendment proposes a higher basic rate co-financing and a higher rate for Member States feeling the worst effects of the current sovereign debt crisis, which should help overcome lack of co-financing resources and provide more certainty to Member States when making an application.

Brussels, 3 May 2012.

*The President  
of the Committee of the Regions*  
Mercedes BRESSO