European Globalisation Adjustment Fund (EGF) 2014-2020

2011/0269(COD) - 06/10/2011 - Legislative proposal

PURPOSE: to establish the European Globalisation Adjustment Fund (EGF) for the period of the Multiannual Financial Framework from 1 January 2014 to 31 December 2020 and to extend the scope of the EGF to provide transitory support to farmers.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: in its Communication '[A Budget for Europe 2020](#)'the Commission recognised the need to provide, for the duration of the Multiannual Financial Framework (MFF) 2014 – 2020, specific, one-off support to workers made redundant as a result of major structural changes triggered by the increasing globalisation of production and trade patterns.

As in the 2007-2013 programming period, this specific support should be provided through the European Globalisation Adjustment Fund (EGF), one of the existing special instruments whose mobilisation does not affect the expenditure ceilings of the MFF.

In the same Communication the Commission indicated that through the EGF the Union should 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 adaptation to a new market situation resulting from the conclusion by the Union of trade agreements affecting agricultural products.

The prime objective of this proposal is to ensure that the EGF continues to operate in the next programming period in line with the basic principles laid down for the MFF 2014 – 2020, which also extended its scope.

IMPACT ASSESSMENT: the impact assessment considered **three options** for the EGF:

- ***Option 1 – No policy change***, i.e. the EGF continues without its own budget. Following each application the budgetary authority has to take a decision whether this particular situation merits support. The main disadvantage is the long delay caused by the administrative procedures surrounding the decision- making process. The main advantages are the flexibility of the instrument, in particular taking into account the largely unpredictable nature of the expenditure, the awareness it raises in the European Parliament of mass redundancies, the high visibility of each application as well as the high visibility of the EGF itself.
- ***Option 2 – Incorporation of EGF actions into the ESF.*** The main disadvantages are the need for a clear budget allocation during the programming period despite the 'unprogrammable' nature of mass redundancies, the possible conflict with overall allocation criteria used in cohesion policy and a reduction of the political visibility of Union support as the budgetary authority would not be involved. The main advantages of this option are increased coherence and complementarity with the ESF, the shortening of the decision-making process and the simplification and streamlining of EGF applications as the EGF could benefit from ESF structures, procedures, management and control systems as well as ESF simplifications in areas such as eligible costs.
- ***Option 3 – the EGF as a stand-alone fund with its own budgetary allocation***. The main disadvantages are the loss of budgetary flexibility as it would earmark for a variable expenditure

pattern a fixed amount of expenditure, the delivery mechanism (a negative impact on the delivery mechanism compared with option 2 as the EGF would not benefit from ESF structures, procedures and simplification) and finally the risk of some overlap with the ESF. The main advantage is the high degree of visibility for European solidarity.

The assessment has shown that in terms of speed of delivery of EGF assistance options 2 and 3 are preferable. However, these options involve a higher risk of reduced efficiency because of non-use of allocated resources. The involvement of policy makers in option 1 guarantees the highest level of public commitment of the Union to the welfare of redundant workers. Therefore, **option 1 is the preferred option**, offering as it does the necessary flexibility to enable effective use of resources, without affecting the Multiannual Financial Framework.

LEGAL BASIS: the third paragraph of Article 175, as well as Articles 42 and 43 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the proposal aims to ensure that the EGF continues to operate in the next programming period in line with the basic principles laid down for the MFF 2014-2020.

The main provisions of this proposal may be summarised as follows:

Scope: the EGF will provide support in cases:

- where workers have been made redundant as a result of major structural changes in world trade patterns, in line with the initial scope of the EGF as laid down in Article 1 of Regulation (EC) No 1927/2006;
- where workers made redundant as a result of a serious disruption of the local, regional or national economy caused by an unexpected crisis (comparable to the financial and economic crisis that hit the economy from 2008 onwards) provided that a direct and demonstrable link can be established between the redundancies and that crisis;
- to help farmers adjust to a new market situation resulting from a trade agreement, such as an agreement on agricultural products concluded by the Union. Examples of such possible forthcoming trade agreements are those under negotiation with Mercosur countries, or in the context of the World Trade Organisation under the Doha Development Agenda.

Intervention criteria: in order to ensure that the EGF remains a valid European-level instrument, an application for EGF support for workers can be triggered when the number of redundancies reaches a **minimum threshold**. Experience with the functioning of Regulation (EC) No 1927/2006 has shown that a threshold of 500 redundancies within a given reference period is acceptable, in particular taking into account the possibility to submit applications for a lower number of redundancies in small labour markets or in exceptional circumstances.

For the agricultural sector,an EGF application would be triggered on a different basis. Ex-ante information about the sectors and / or products likely to be affected by increased imports as a direct result of trade agreements will be provided in the analysis carried out by the Commission departments for the trade negotiations. Once the trade agreement is initialled, the Commission departments further check the sectors or products for which a substantial increase in Union imports and a significant drop in prices are expected and will assess the likely effect on sectoral income. On this basis the Commission would designate agricultural sectors or products and, where relevant, regions as eligible for possible EGF support. Member States would have the possibility to submit applications for an EGF contribution, provided that they can prove that eligible sectors experience significant trade-related losses, that farmers operating in these sectors are affected and that they have identified and targeted the affected farmers.

As the access to EGF support is conditioned by the fact that the workers must have been made redundant, or for farmers that they are adjusting that part of their activity affected by the relevant trade agreement, the proposal contains specific provisions on how the redundancy should be counted for each worker.

Revision of the notion of 'workers': in order to ensure that EGF support is available to workers independently 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 as in Regulation (EC) No 1927/2006, 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 EGF is designed to contribute to the growth and employment objectives of the Europe 2020 strategy. Therefore, its focus is on **active labour market measures aimed at reintegrating dismissed workers rapidly into stable employment**.

As does Regulation (EC) No 1927/2006, this proposal provides for a financial contribution from the EGF for a **package of active labour market measures**. It cannot contribute to the funding of passive measures as these are not compatible with the growth and employment objectives of the Europe 2020 strategy. Allowances may only be included if they are designed as incentives to facilitate the participation of dismissed workers in active labour market policy measures. In order to ensure a reasonable balance between genuinely active labour market policy measures and 'activated' allowances, the share of allowances in a coordinated package of active labour market measures is **capped**.

For farmers, including all members of the farm household active on the farm, the measures would focus on the **acquisition of appropriate training and skills** and use of advisory services enabling them to adjust their activities, including carrying out new activities, within and / or outside agriculture, as well as to support to a limited extent the initial investments in changing or adjusting their activities so as to assist them to become structurally more competitive and secure their livelihoods. Support could also be given to cooperation activities with a view to creating new market options especially for small-scale farmers.

Application and intervention deadlines: the effectiveness of the EGF has suffered from the length and procedural requirements of the decision-making process. Shortening as much as possible the time lag between the date of application for EGF support and the date of payment, and simplifying the procedures, should be a common concern for all parties involved in the EGF process:

- Member States should strive to submit a complete application as soon as possible once the relevant criteria are met;
- the Commission should assess and conclude on eligibility soon after the submission of a complete application;
- the budgetary authority should swiftly take its decision on deploying the EGF funding.

In order to cover the needs arising at the beginning of the year, the Commission will continue to propose within the annual budgetary procedure a minimum amount in payment appropriations for the relevant budgetary line.

In view of the unpredictable nature of the needs arising for support from the Fund, it is necessary to reserve a part of the annual maximum amount for applications receiving financial contributions after 1 September each year. In case the needs for support from the Fund exceed the amount remaining available, the Commission's proposals will reflect the proportion set for support of the agricultural sector during the duration of the MFF.

Complementarity, compliance and coordination: assistance from the EGF will be in addition to the efforts of the Member States, at national, regional and local levels. For reasons of sound financial management the EGF cannot replace measures that are already covered by Union Funds and Programmes included in the MFF. Nor can the EGF financial contribution replace measures that are the responsibility of dismissing companies under national law or collective agreements.

Budget procedure: the budget procedure in the proposal follows directly from point 13 of the draft Interinstitutional Agreement. Whenever possible, the process will be shortened and streamlined. Taking account of the fact that the measures co-funded by the EGF are implemented by means of shared management with the Member States, the payment mechanism for the financial contribution will remain in line with those applied for this management mode of the Union budget. At the same time, the financing arrangements should reflect the scope of the actions to be carried out by the Member States as proposed in their applications.

The co-funding rate will be modulated, with a 50% contribution to the cost of the package and its implementation as the norm, and the possibility to **raise this rate to 65%** in the case of applications submitted by those Member States on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds. The purpose of this modulation is to ensure that the Union's expression of solidarity with workers in these Member States and regions is not hampered by a lack of Member State co-funding resources, as recognised by the higher co-funding rates laid down under the Structural Funds. The Commission, in its assessment of such applications, will decide whether the higher co-funding rate is justified in the specific case proposed by the Member State.

One of the key messages for the period 2014-2020 is that expenditure at Union level should be result-oriented, thus ensuring that the output and impact of the expenditure push forward the implementation of the Europe 2020 strategy and the achievement of its targets. 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 after 12 months.

Implementing reports: Member States will present an interim report on the implementation of EGF support after 15 months. Within the same results-oriented approach the proposal provides for the possibility that Member States, subject to approval by the Commission, can amend the planned active labour market policy measures if in the course of the 24-month implementation period other measures become more relevant and promising to reach a higher reintegration rate.

BUDGETARY IMPLICATION: the EGF is one of the special instruments not included in the MFF, with a maximum amount from January 2014 to 31 December 2020 of EUR 3 billion, while the amount in support of the agricultural sector shall not exceed EUR 2.5 billion (2011 prices). It may not exceed a maximum annual amount of **EUR 429 million**.

DELEGATED ACTS: this proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union (TFEU).