



European Economic and Social Committee

CCMI/163

European Globalisation Adjustment Fund

OPINION

European Economic and Social Committee

**Proposal for a Regulation of the European Parliament and of the Council on the European
Globalisation Adjustment Fund (EGF)**

[COM(2018) 380 final]

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Co-rapporteur: **Pierre GENDRE**

Referral	European Parliament, 11/06/2018 Council, 22/06/2018
Legal basis	Articles 175, third paragraph and 304 of the Treaty on the Functioning of the European Union
Section responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in CCMI	22/11/2018
Adopted at plenary	12/12/2018
Plenary session No	539
Outcome of vote (for/against/abstentions)	201/1/3

1. **Conclusions and recommendations**

- 1.1 The EESC welcomes the Commission's proposal, which will enable the European Globalisation Adjustment Fund (EGF) to continue beyond 31 December 2020. The EESC recommends that the scope of the EGF, which has been extended to cover redundancies resulting not only from serious economic disruption but also from new global financial and economic crises, take into account the substantial changes in employment caused by, for example, the development of digitalisation and artificial intelligence, the transition to a carbon-free economy and the possible consequences of a decline in world trade. The EGF should thus become a permanent tool to mitigate the negative effects of the challenges of the 21st century on the labour market.
- 1.2 Noting the existence of a certain confusion between the roles of the different European funds, the Committee recommends that clear and simple information be disseminated to all interested parties on the scope of their respective provisions and any potential complementarity. The EESC reiterates that the aim of the EGF is not to replace the national legal provisions or those resulting from collective agreements, but that it may complement them where appropriate.
- 1.3 The Committee calls on the governments of the Member States, in cooperation with the Commission, to establish mechanisms to strengthen the capacities of the administrative structures at national level, in order to facilitate and streamline the preparation of applications for EGF intervention by SMEs and the provision of assistance to workers who have lost their jobs.
- 1.4 The EESC reiterates its request that the social partners and other civil society organisations participate in the process of seeking funding from the outset and during all phases of the processing of EGF applications both at EU level and at the level of businesses, regions, and Member States.
- 1.5 The EESC is in favour of the Commission's proposal under which displaced workers and self-employed persons whose activity has ceased should have equal access to the EGF independently of their type of employment contract or employment relationship.
- 1.6 The Committee calls on Member States and the Union institutions involved in the EGF decision-making process to do their utmost to reduce processing time and to simplify procedures so as to ensure the smooth and rapid adoption of decisions on the mobilisation of the Fund.
- 1.7 The EESC urges Member States to pay particular attention to disadvantaged categories, including young and older unemployed persons and those at risk of poverty, given that those groups experience particular problems in finding another stable job.
- 1.8 The Committee emphasises that, in the interest of the beneficiaries, assistance should be made available as quickly and efficiently as possible.

2. Background to the opinion, including the legislative proposal concerned

2.1 Origins and development of the European Globalisation Adjustment Fund

2.1.1 The European Globalisation Adjustment Fund (EGF) was established by Regulation (EC) No 1927/2006¹ for the 2007-2013 programming period with a view to facilitating the return to employment of workers in fields, sectors, regions or labour markets that are suffering from the shock of serious economic disruption. The EGF provides support to people, but its mission is not to support businesses that have got into difficulties.

2.1.2 In light of the developing economic and financial crisis, the Commission revised the EGF in 2008 in order to widen its scope between 1 May 2009 and 30 December 2011 and to increase the co-financing rate from 50% to 65%, so as to reduce the burden for Member States.

2.1.3 The scope of the EGF was extended in 2009 to cover workers who lost their jobs directly as a result of the global financial and economic crisis.

2.1.4 For the Multiannual Financial Framework 2014-2020, the EGF's scope was again extended by Regulation (EC) No 1309/2013 of the European Parliament and of the Council². Extending the EGF has made it possible to cover redundancies resulting not only from significant structural changes in world trade, but also from any new global financial and economic crisis.

2.1.5 On 17 November 2017, the European Pillar of Social Rights was jointly proclaimed by the European Parliament, the Council and the Commission. Its principles will serve as a fundamental guiding framework for the European Globalisation Adjustment Fund.

2.2 New proposal for the post-2020 EGF

2.2.1 The main objective of the new proposal is to ensure that the EGF, which is a special instrument maintained outside the MFF budget ceilings, continues to operate after 31 December 2020 without a time limit.

2.2.2 The EGF could also offer assistance in the event of unexpected crises leading to a serious disruption of the local, regional or national economy. Such unexpected crises could include a major recession for important trading partners or the collapse of the financial system.

2.2.3 The support provided by the EGF is available to workers irrespective of their employment contract or employment relationship. It is possible to include not only workers with employment contracts of indefinite duration, but also workers with fixed-term contracts, temporary agency workers, owner-managers of micro enterprises and self-employed workers.

¹ [OJ L 406, 30.12.2006, p. 1.](#)

² 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.

- 2.2.4 The application for EGF support for workers can be triggered when the number of redundancies reaches a minimum threshold. The threshold of 250 is lower than the threshold for the 2014-2020 programming period. In many Member States, most workers are employed by small and medium-sized enterprises (SMEs).
- 2.2.5 The focus of the EGF is on active labour market measures aimed at rapidly bringing dismissed workers back into stable employment. The EGF cannot contribute to the funding of passive measures. Allowances may only be included if they are designed as incentives to make it easier for dismissed workers to participate in active labour market policy measures; the share of allowances in a coordinated package of active labour market policy measures is capped.
- 2.2.6 Member States must request the fund's intervention only in the event of genuine emergency situations. The EGF cannot replace measures already covered by EU funds and programmes included in the Multiannual Financial Framework, nor can it replace national measures or measures falling within the remit of the dismissing companies under national law or collective agreements.
- 2.2.7 An application for support should be triggered when a major restructuring event causes a significant impact on the local or regional economy.
- 2.2.8 An ex-post evaluation of the existing regulation has to be carried out by 31 December 2021.

3. **General comments**

- 3.1 The EESC welcomes the Commission's proposal, which will enable the EGF to continue beyond 31 December 2020. The Committee has in the past adopted a number of opinions in which it has expressed its support for the EGF, and feels that these opinions have lost none of their relevance³⁴⁵⁶.
- 3.2 The EESC underlines the continuing importance of the role of the EGF as a flexible fund to support workers who lose their jobs in large-scale restructuring events and to help them to find another job as rapidly as possible. It recommends taking into account the situation of employees whose working hours will be permanently reduced without receiving compensation for the reduction to their salary.
- 3.3 In the Committee's view, it would be useful to collect more detailed monitoring data, especially on the category of workers, their professional and educational background, their employment status and the type of employment found. In view of the likely administrative complexity involved in such an agenda and the burden it represents, the Committee supports the alternative approach of collecting such information in the form of on-line questionnaires for the beneficiaries, as proposed by the Commission.

3 [OJ C 318, 23.12.2006, p. 115.](#)

4 [OJ C 228, 22.9.2009, p. 141.](#)

5 [OJ C 376, 22.12.2011, p. 92.](#)

6 [OJ C 143, 22.5.2012, p. 17.](#)

- 3.4 The Committee is in favour of the Commission's proposal under which displaced workers and self-employed persons whose main activity has ceased should have equal access to the EGF independently of their type of employment contract or employment relationship.
- 3.5 The EESC believes that the financial contributions of the EGF should primarily be directed towards active labour market policy measures, with the aim of quickly reintegrating beneficiaries into sustainable employment. Support should also be put in place for the professional and geographical mobility of workers in order to facilitate their reclassification.
- 3.6 The EESC notes that the maximum limit of the fund is set at EUR 225 million per year for the period 2021-2027 and considers that this envelope is appropriate to the EU's current economic situation. However, it points out that in the event of a return to a deeper crisis, or in situations such as accelerated technological change and energy transformation, this envelope may prove to be insufficient.
- 3.7 The Committee recommends that a review of the EGF be undertaken half way through the MFF looking at both the utilisation of appropriations and the minimum threshold of 250 displaced workers, and calls on the Commission to work with the EU budgetary authority in preparing an adjustment in EGF funding as a result,
- 3.8 Specifically, the Commission should consider raising the funding in question to around EUR 1 billion. Given that the EGF is designed to be an emergency fund, it is also important to ensure that the decision-making procedures for such an increase in funds are implemented as quickly as possible.
- 3.9 The EESC urges Member States to pay particular attention to disadvantaged categories, including young and older unemployed persons and those at risk of poverty, given that those groups experience particular problems in finding another stable job.
- 3.10 The Member States and the Union institutions involved in the EGF decision-making process should do their utmost to reduce processing time and simplify procedures so as to ensure the smooth and rapid adoption of decisions on the mobilisation of the EGF. The Committee emphasises that, in the interest of the beneficiaries, assistance should be made available as quickly and efficiently as possible.
- 3.11 The EESC welcomes the fact that the European Pillar of Social Rights will serve as an overarching guiding framework for the EGF which will enable the EU to put the relevant principles into practice in the event of major restructuring. Given the difficulty of identifying the specific factor that leads to redundancies, the EESC recommends that, in future, the mobilisation of the EGF's resources be based first and foremost on the principle of the sizeable impact of restructuring not only with regard to processes of globalisation, but also as regards other significant changes. These include decarbonisation, digitalisation and Industry 4.0 and the related technological changes and processes of transformation, as well as changes caused by many factors such as large-scale relocations or redundancies, or financial or economic crises. In this regard, the EESC expressly welcomes the extension of the scope of the EGF to include

labour market risks caused by structural changes that are brought about by digitalisation and developments in the area of decarbonisation.

- 3.12 The EESC believes that the EGF should be better aligned with other EU policies and that the specifications of the EGF's interaction with other funds and programmes (e.g. FEAD, ESF, EaSI, EU Health Programme) should be set out in greater detail.
- 3.13 Given the contradictions between the fund's current name and its objectives, and in the interests of keeping the English abbreviation EGF, the EESC proposes changing the name European Globalisation Adjustment Fund to European Globalisation and Adjustment Fund, or some similar name that would fit the abbreviation EGF.
- 3.14 The Committee thinks it would be useful in the period ahead to expand the scope of the EGF to support programmes put in place nationally, such as the short-term work ("Kurzarbeit") or short-time programmes.

4. Small and medium-sized enterprises

- 4.1 Small and medium-sized enterprises provide around 80% of jobs in the EU, yet they are among the most vulnerable when crises or processes of transformation occur. The Committee therefore calls on the governments of the Member States, in cooperation with the Commission, to establish mechanisms and to strengthen administrative capacities at national level so as to facilitate and streamline the preparation of applications by SMEs for EGF intervention and the provision of assistance to workers who have lost their jobs.
- 4.2 The EESC supports the proposal to place wage earners and self-employed workers on an equal footing (Article 7), subject to the non-cumulation of self-employment and employment and in the event that the main activity is discontinued.
- 4.3 The EESC endorses the protection of owners of very small companies that could lose their jobs as a result of an economic or financial crisis or technological change, as well as the possibility for these people also to get financial support from the EGF. This should not mean that a "self-employed person" would be defined as "a person who employed fewer than 10 workers", as stated in Article 4 in the Commission's proposal for a regulation. This definition would have various consequences in a number of EU laws, because it would mean that different categories of professional and economic activity were classified in the very same way. We ask the Commission to find another way to achieve the aim – endorsed by the Committee – of protecting owners of very small companies.
- 4.4 The EESC suggests that the Commission work with the Member States to improve the results of the EGF through an information campaign, including for SMEs, so as to enable their employees to participate more easily in the use of available support opportunities provided by the EGF.
- 4.5 The EESC welcomes the new configuration of the intervention criteria (Article 5), which pays particular attention to the situation prevailing in small and medium-sized enterprises, who employ a large proportion of the total number of employed people. It is particularly important,

regardless of the threshold of 250 employees, to take into account the concept of the group and/or territorial unit, in the event that several subsidiaries of a group that is facing job losses do not reach this threshold individually.

5. **Specific comments**

- 5.1 The EESC recommends more flexibility when calculating the number of redundancies and cessations of activity(Article 6), eligible beneficiaries (Article 7) and eligible measures (Article 8), so as to ensure that aid reaches affected workers as quickly as possible.
- 5.2 The Committee also recommends simplifying administrative procedures for submitting applications as much as possible (Article 9) in order to speed up the whole process. The simplification of documents and the introduction of technical assistance for Member States, where necessary, will extend the scope of the Fund's provisions.
- 5.3 The Committee believes that it is essential to simplify administrative measures (Point 2 of the Annex to the proposal for a regulation), especially monitoring and reporting arrangements, management and monitoring systems, and measures for preventing fraud and irregularities.
- 5.4 The EESC supports the restriction on eligibility for a financial contribution from the EGF set out in Article 8(2)(b), which explains that such support must not replace measures which are the responsibility of companies by virtue of national law or collective agreements. This provision should not serve for the blanket exclusion of market measures based on collective agreements from the potential range of EGF support.
- 5.5 The Committee expects that as part of the planned ex-post evaluation of the EGF, the Commission will devote considerable attention to analysing the causes of the disparities in the use of the EGF among EU Member States,especially the reasons why the following countries either under-use the funds or do not use them at all: Bulgaria, the Czech Republic, Estonia, Croatia, Cyprus, Latvia, Luxembourg, Hungary, Malta, Slovakia and the United Kingdom.
- 5.6 The EESC reiterates its request that the social partners and other civil society organisations participate in the process of seeking funding from the outset and during all phases of the processing of EGF applications both at EU level and at the level of businesses, regions, and Member States. Given their in-depth knowledge of the local situation and specificities, regional structures and municipalities can also play a significant role.
- 5.7 The Committee recommends that the Commission make it clear in the regulation that the concept of "employees" also covers employed members of cooperatives.

Brussels, 12 December 2018.

Luca JAHIER

The president of the European Economic and Social Committee