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TOWARDS A EUROPEAN TRANSITION SUPPORT FUND

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Executive summary

Since the establishment of the European Globalisation Adjustment Fund (EGF) in 2007, the EU co-funds, together with Member States, policies to facilitate the re-integration into employment of workers who have lost their jobs as a result of major restructuring events caused by globalisation.

By the end of 2017, the EGF had targeted 147,000 European workers. Yet, despite a relatively low budget, the fund has been under-used, with only 15% of its expenditure ceiling (EUR 611 million) being allocated. This is due to excessively restrictive eligibility criteria, lengthy procedures and a lack of visibility of the fund. In addition, it is difficult to measure the fund's performance due to insufficient data. Eight EU Member States have never used the EGF.

Even though the EGF has not reached its potential over the last eleven years, this does not mean that it should be shelved. On the contrary, the far-reaching and swift changes underway in our economies and the political considerations on the specific added value of European action require to fully unlock the fund's potential. The current negotiation of the next multiannual financial framework (MFF) for the 2021-2027 period is an opportunity to endow the EU with a genuine "European transition support fund".

In this paper, we will analyse the current functioning and performance of the EGF and then present a set of recommendations for this new fund: 1) an extension of its scope of application to any major restructuring event, not only linked to globalisation but also to other transitions underway such as robotization, the digitisation of the economy and the energy transition, which may result in job losses; 2) a simplification of its procedure and less restrictive eligibility criteria to increase its use; 3) enhanced effectiveness of the re-integration into employment projects funded by the fund; 4) improved synergies with the other European instruments; 5) a significantly higher budget and greater visibility for the fund.

INTRODUCTION

In 2006, the European Union (EU) adopted a European Globalisation Adjustment Fund (EGF), which provides funding for re-employment initiatives for workers who have lost their jobs as a result of major structural changes in world trade patterns, in cases where such redundancies have significant negative repercussions on the regional economy. The EGF's creation was justified by the need to mitigate the adverse effects of greater open trade. While this openness results in a set of collective gains, such as competitiveness gains for companies through their specialisation, gains in purchasing power for consumers or heightened economic growth[1], some people also lose out. Some jobs in less competitive companies are cut or relocated to other countries.

The negative effects of globalisation are often concentrated in specific sectors, regions and categories of workers, which makes them highly visible (unlike the benefits of trade openness, which are widely diffused across society). While trade policy is an exclusive EU competence, the creation of this fund reflects a political acknowledgement that the management of the damage which may be caused by the opening up of exchanges must not be left solely to the responsibility of Member States, of which social policies are highly heterogenous.

The arguments which justified the fund's creation twelve years ago are still valid today. Supporting those who find themselves on the losing side of globalisation has become not only an economic and social challenge, but also a political issue, in light of a good number of Europeans' growing distrust of trade openness. However, in addition to ever-increasing global independence, European labour markets are also facing other major challenges today, such as robotization, the digitisation of the economy and the energy transition – which are likely to give rise to far-reaching restructuring. According to a recent study, 9% of jobs in OECD member countries are automatable and are therefore set to disappear[2]. The International Labour Organization estimates that by 2030 the transition to a green economy will have resulted in the creation of 24 million new jobs worldwide but will have led to job losses of 6 million[3].

Furthermore, the various challenges facing the labour market today are often linked and/or are mutually reinforcing; it is therefore difficult and contrived to single out a specific cause behind a restructuring event. Against this backdrop, the Commission recently proposed - as part of the negotiations on the EU's budgetary instruments for the 2021-2027 period - to broaden the EGF scope of application to cover all major restructuring events, regardless of their cause,. The idea is to endow the EU with a "European transition support fund" – although the Commission has decided to maintain the fund's current name – , thus complementing the action of the European Social Fund (ESF) which plays a preventive role with a view to anticipating transitions and limiting the job losses they may cause. This is not synonymous with a break with the past. On the contrary, the new fund must be based on the EGF's functioning and the lessons learned over the eleven years it has been in existence.

Before presenting a set of recommendations for this new fund for the post-2021 period, we will start by analysing the current functioning of the EGF (part 1) and review a few key figures on its use and performance since 2007 (part 2). We will then use the available ex-post assessments of the EGF to identify the main shortcomings of this fund which have arisen since its creation (part 3). On this basis, we will identify five priorities for this European transition

1. See European Commission, *Reflection paper on harnessing globalisation*, 10 May 2017.
2. Arntz, M., T. Gregory and U. Zierahn, The Risk of Automation for Jobs in OECD Countries: A Comparative Analysis, *OECD Social, Employment and Migration Working Papers*, No. 189, OECD, Paris, 2016.
3. International Labour Organization, *World employment social outlook 2018 - Greening with jobs*, Geneva, 2018.

support fund and will assess the extent to which they are already taken into account in the Commission's proposal: i) an extension of its scope of application; ii) a simplification of the procedure and an increase in the fund's rate of use; iii) enhanced effectiveness of the funded projects; iv) improved synergies between the fund and other European instruments; and v) a higher budget and greater visibility.

1 . THE GLOBALISATION ADJUSTMENT FUND: AIM AND FUNCTIONING

The EGF was created in 2007 and has been revised twice since, in 2009 and 2013, with a view to facilitating its implementation and enhance its scope. In its current form, this fund is used by the EU, together with Member States, to co-fund active employment policies aimed at facilitating the return to employment of people who have lost their jobs as a result of globalisation or economic crisis, when these job losses have had a significant impact on the local or regional labour market. In the USA, a similar instrument had been established in 1962: the Trade Adjustment Assistance program (TAA). There are, however, two major differences between the EGF and the TAA. Firstly, the EGF, in its current format, no longer covers solely job losses linked to trade openness – as does the TAA – but also those resulting from an economic crisis. Secondly, the EGF can only be used in the event of major restructuring, while the TAA supports each worker who has been adversely impacted by trade openness. This gives the TAA a much broader scope than the EGF (see Box 1).

In the EU, only the national authorities appointed by governments may submit an application for funding to the Commission. These authorities must therefore centralise and approve the requests submitted by their national stakeholders (in particular companies, regions or social partners). To be eligible, applications to mobilise the EGF must meet a set of criteria, which have changed since 2007 as illustrated in Table 1.

Firstly, the Member State must demonstrate the link between the redundancies and globalisation or crisis. More specifically, the link between restructuring and globalisation may be established due to a structural change occurring in world trade – via a substantial increase in imports into the EU, a serious shift in trade in goods or services, a rapid decline of the EU's market share in a given sector – or the offshoring of activities to non-EU countries.

Secondly, a minimum number of workers made redundant must be fulfilled. The original number was 1000 redundancies but was dropped to 500 redundancies from 2014 as it was too restrictive. These redundancies are counted over a four-month period for a single company (including its suppliers or downstream producers), or a nine-month period for several SMEs in a specific economic sector within a region or two contiguous regions. Originally, only workers with open-ended employment contracts could be eligible for EGF assistance. Since 2014, self-employed people, temporary workers and workers with fixed-term contracts can also benefit from the fund. Between 2014 and 2017, Member States could – for regions with high unemployment rates – add young people who are not in employment, education or training (NEET) to the beneficiaries of initiatives co-funded by the EGF[4].

Thirdly, the Member State must co-fund the initiative to reintegrate workers into employment. The EGF co-funding rate was set at 50% for the 2007-2013 period (but was increased to 65%

4. The number of young people in the NEET category included in the project could not exceed the number of workers eligible for EGF assistance.

between 2009 and 2011 in response to Member States' budgetary restrictions during the crisis). Since 2014, this rate has been set at 60%.

Fourthly, the project – which may not exceed 24 months – must include so-called "active" measures such as training, careers advice and job-seeking assistance and support for entrepreneurship or self-employment (the EGF cannot be used to fund basic unemployment benefits). Training allowances, mobility/relocation allowances, daily subsistence allowances and recruitment incentives for employers may also be funded but to a lesser extent as they may not exceed 35% of the costs of the reintegration project proposed by the Member State.

TABLE 1 ■ Changes to legislation governing the EGF[5]

	2007-2013	2009-2011	2014-2020	2021 – 2027
Annual budget	EUR 500 million	EUR 500 million	EUR 150 million	EUR 225 million
Scope of application	* Globalisation	* Globalisation * Economic and financial crisis	* Globalisation * Continued crisis or new economic or financial crisis	* Globalisation * Continued crisis or new economic or financial crisis * Trade disputes * Transition to a low-carbon economy * Digitisation and robotization
Criteria for intervention	* At least 1000 employees of a single company over 4 months, or * at least 1000 employees of SMEs in an economic sector in a region or two neighbouring regions over a nine-month period.	* At least 1000 employees of a single company over 4 months, or *at least 1000 employees of SMEs in an economic sector in a region or two neighbouring regions over a nine-month period.	* At least 500 workers being made redundant or self- employed persons' activity ceasing, over four months, in an enterprise, or; * over 9 months, in several SMEs, all operating in the same economic sector and located in the same region or two contiguous regions.	* At least 250 workers being made redundant or self- employed persons' activity ceasing, over four months, in an enterprise, or * over 6 months in an economic sector and in one or more contiguous regions, or * over 4 months in different sectors and in the same region.
Co-funding rate	50%	* 50% if the scope of application is globalisation * 65% if it is the financial crisis.	60%	Aligned on the highest co-funding rate of the ESF + in the Member State concerned (between 50% and 85%)
Workers concerned	Workers with open-ended employment contracts	Workers with open-ended employment contracts	Workers with open-ended employment contracts, with fixed-term contracts, temporary workers, owner-managers of micro-enterprises, self-employed persons. Option of including young people with NEET status in the application.	Workers with open-ended employment contracts, with fixed-term contracts, temporary workers, owner-managers of micro-enterprises, self-employed persons.
Duration of the project	Maximum 12 months	Maximum 24 months	Maximum 24 months following the Member State's funding application	Maximum 24 months following the entry into force of the funding decision approved by the EP and the Council

5. Regulation (EC) N° 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund, amended by Regulation (EC) N° 546/2009 of 18 June 2009 and repealed by Regulation (EU) N° 1309/2013 of 17 December 2013. Proposal 2018/0202 (COD) for a regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund of 30 May 2018.

As an emergency instrument, the EGF does not have a pre-allocated budget but rather an expenditure ceiling (it is not compulsory to spend the funds). It is one of the EU's instruments established outside of the EU budget – as is the EU Solidarity Fund. The main consequence of this situation is that each project must be approved by the European budgetary authorities: the Council and the European Parliament (EP). After assessing the eligibility of the Member State's application, the Commission presents a proposal to mobilise the EGF's credits to the EP and the Council. These two institutions both have one month to accept the Commission's proposal, which will then disburse the credits. These different steps make the process quite long, which is inconsistent with the speed of mobilisation required of emergency funds.

BOX 1 ▪ The Trade Adjustment Assistance (TAA) program created in 1962 in the USA

The USA has been using an instrument which is similar to the EGF since 1962: the Trade Adjustment Assistance (TAA) program. It enables workers who have lost their jobs or suffered a reduction in wages or hours as a result of increased imports or shifts in production outside the US to access vocational training and also benefits or unemployment insurance. Jobseekers contact the US Employment and Training Administration directly when the link between their redundancy and world trade is established by the Department of Labor. The major difference between the TAA and the EGF is that the latter may only be mobilised for major restructuring (more than 500 job losses) while the TAA does not have a minimum number, it is intended to provide assistance to each worker who is negatively impacted by globalisation. The TAA's budgetary impact is therefore more significant than that of the EGF. In 2010, the TAA mobilised USD 975 million for 280,873 workers while the EGF only allocated EUR 131.9 million to 26,867 workers affected.

See: Roberto Bendini, *A brief comparison of globalisation adjustment funds in the EU and the US*, European Parliament, 2014.

2 ▪ THE EGF, AN OVERVIEW

Over its first seven years, the EGF had expenditure capped at EUR 500 million per year. However, in this period, the maximum annual amount mobilised by the EGF was EUR 131.9 million in 2010, which justified decreasing the fund's annual envelope as of 2014. Today, the EGF has a maximum annual budget of EUR 150 million.

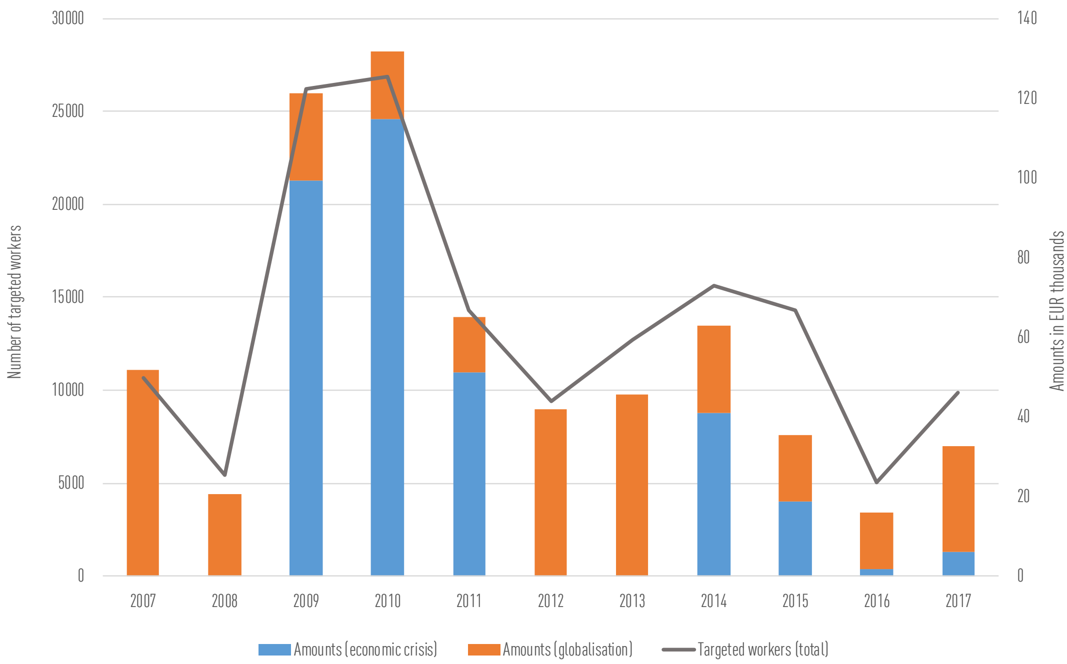
Between 1 January 2007 and 31 December 2017, the Commission approved 157 applications for EGF assistance, covering 147,000 workers and accounting for EUR 611.2 million of European funding[6]. Graph 1 presents the amounts allocated from the EGF in terms of cause of redundancy and the number of workers affected each year. It can be observed that the EGF's budget ranged from a minimum amount of EUR 15.8 million in 2016 to EUR 131.9 million in 2010 for 5,030 and 26,867 workers respectively.

The sharp increase in the number of applications submitted in 2009 and 2010 is related to the broadening of the EGF's scope of application (to include the crisis). It was also between 2009 and 2011 that the EGF had its highest co-funding rate (65% for applications related to the economic and financial crisis). While the EGF was initially intended to counter the adverse effects of globalisation, only half of the applications approved over the last eleven years are linked to this cause. Between 2009 and 2011, crisis-related applications even accounted for around 80% of EGF funding applications. However, since 2014, this percentage has fallen to 38% (see Graph 1). It is interesting to note that between 2007 and 2016, 58% of applications submitted

6. Source: List of EGF applications since 2007 (updated monthly) on the website of the Employment, Social Affairs and Inclusion Directorate-General, European Commission. Unless stated, the data used in this paper was taken from this source. Since 2007, the Commission has only rejected a single EGF application and 18 other applications were withdrawn by the Member State prior to the end of the procedure.

for a single company were related to globalisation and, conversely, applications concerning a set of SMEs were more often related to the crisis (65%)[7].

FIGURE 1 ■ Number of targeted workers and total amount committed by the EGF according to the scope of application, 2007-2017

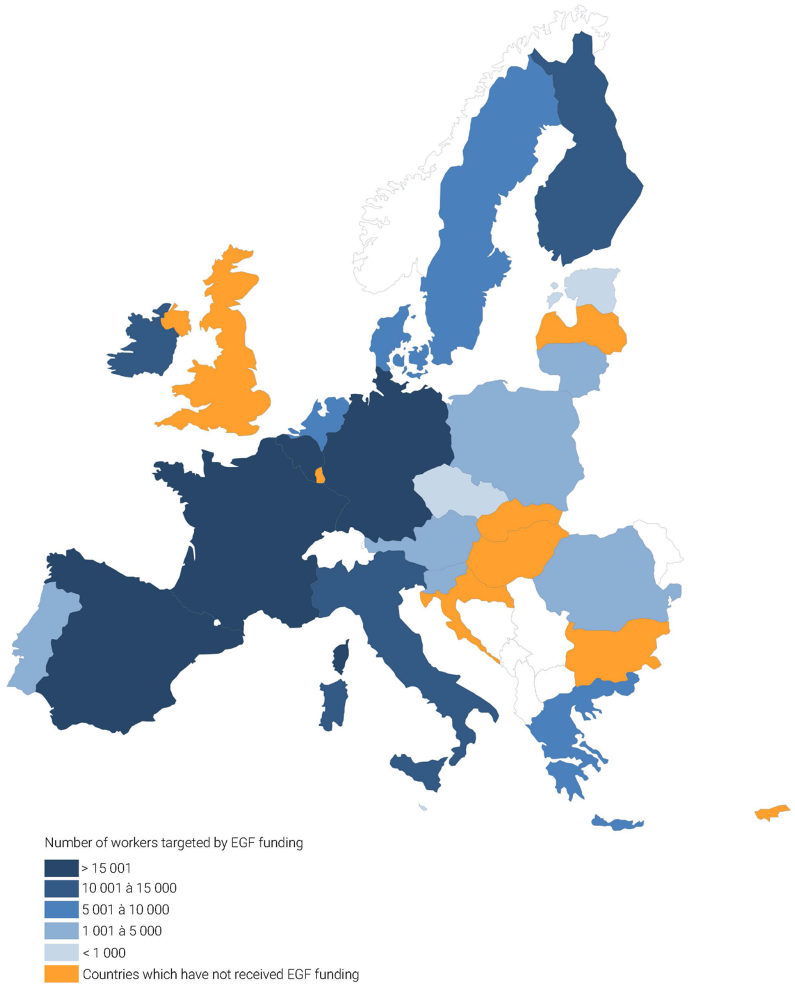


Source: List of EGF applications since 2007 (updated monthly), European Commission

The EGF's geographic deployment is very uneven, as 75% of targeted workers come from eight EU Member States: France, Belgium, Spain, Germany, Italy, Finland, Ireland and the Netherlands. Eight Member States have never received EGF funding (Bulgaria, Cyprus, Croatia, Hungary, Latvia, Luxembourg, the United Kingdom and Slovakia). As illustrated in Map 1, eastern European countries have not used the EGF or to a much lesser degree. This can be explained predominantly because some of these countries were less affected by the economic crisis in relative terms. In addition, the use of the European Social Fund (ESF) is more advantageous than EGF assistance for these countries, in that the ESF co-funding rate is 85% for the less developed regions of the EU (against the current EGF co-funding rate of 60%). As regards the UK's lack of applications to the EGF, this is due to the British government's position which disagrees with the fund's very existence, deemed ineffective (and without the approval of national authorities, which must co-fund projects, no funding application may be submitted to the EGF).

7. Claeys, G. and Sapir, A., The European Globalisation Adjustment Fund: Easing the pain from trade?, Policy contribution issue n° 05, Bruegel, March 2018.

MAP 1 ■ Number of targeted workers by EGF in each Member State, 2007-2017



Source: List of EGF applications since 2007 (updated monthly), European Commission

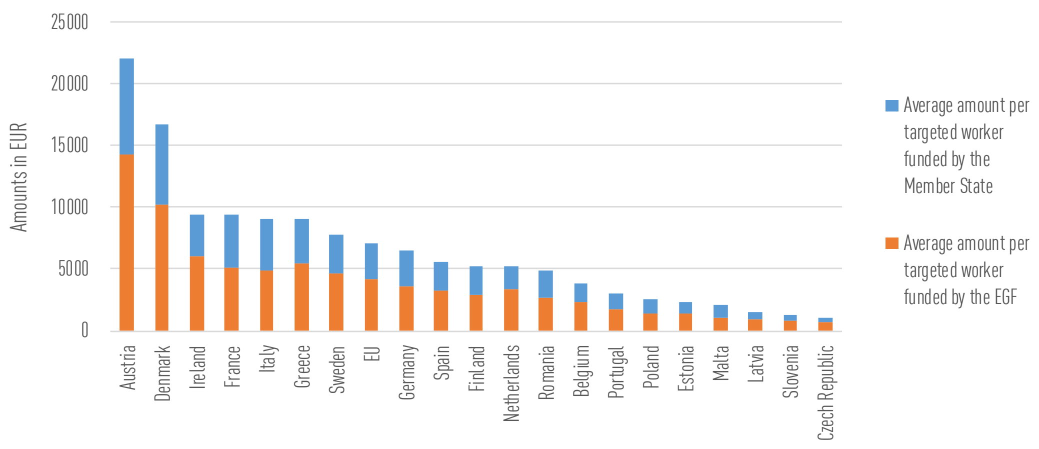
It is important to state that not all jobseekers initially counted in Member States' applications received EGF assistance. According to the Commission's evaluation for the 2007-2013 period[8], only 72% of people affected actually received EGF funding (see Table 2). This can be explained in part by the lapse of several months between the redundancies and the start of the project funded by the EGF. During this time, some people find employment and/or leave the region in which they were originally employed. The Commission's document also highlights that the budgets that were initially approved are not, in most cases, used in full. Over the period in question, on average only 55% of budgets granted by the EGF were ultimately used, the remainder being reimbursed by the Member State at the end of the implementation period of the original reintegration project.

The average funding per person between 2007 and 2017 varied greatly according to the Member States which received EGF assistance. Graph 2 shows that in Austria and Denmark the average funding per worker was EUR 22,079 and 16,746 respectively, far above the European average of EUR 7,111[9].

8. Tina Weber, Inga Pavlovaite, Richard Smith and Meagan Andrews, *Ex-post evaluation of the European Globalisation Adjustment Fund (EGF) - Final Report*, European Commission, EMPL DG, 2015.

9. Funding per person calculated by the Commission on the basis of projected budgets and beneficiaries.

FIGURE 2 ▪ Average amount per targeted worker by Member State and by funding origin, 2007 – 2017



Source: List of EGF applications since 2007 (updated monthly), European Commission

In terms of the sectors receiving EGF funding, the automotive industry accounted for more than 20% of amounts allocated by the EGF between 2007 and 2017. The other sectors which received the most EGF funding were machinery and equipment, the textile industry, mobile phones and air transport. In total, these five industries mobilised more than 50% of funding allocated by the EGF[10].

3 . WHAT ASSESSMENT CAN BE MADE OF THE EGF ELEVEN YEARS ON?

3.1 The EGF: an under-used fund

In 2007, when the EGF was created, the size of its budget (EUR 500 million per year) was criticised by some who deemed the amount symbolic against the extent of the challenge. However, since its inception, the EGF has been constantly under-used. Its maximum provision between 2007 and 2017 was EUR 4.1 billion and yet only 15% of this amount, i.e. EUR 611.2 million, was used, despite the fund's scope of application being extended in 2009 to include job losses related to the economic and financial crisis.

Of course, the fact that the budget is under-used does not reflect that job losses proved to be less extensive than expected. As Claeys and Sapir highlight[11], only four out of the thirty restructuring events of more than 500 workers linked to extra-EU offshoring recorded by the Eurofound agency between 2007 and 2016 received EGF funding. The authors also believe that the fund only assisted roughly 4% of workers who were made redundant as a consequence of globalisation.

10. *Ibid*, p.42.

11. Claeys, G. and Sapir, A., The European Globalisation Adjustment Fund: Easing the pain from trade?, Policy contribution issue n° 05, Bruegel, March 2018. The authors use the Eurofound European Restructuring Monitor database, p. 7.

The various assessments of the EGF conducted by European institutions[12] shed light on a set of causes which justify the fact that the EGF has been under-used since its creation.

- *An eligibility criterion which is too restrictive*

First of all, the eligibility criterion concerning the minimum number of people affected is too restrictive. Although it has been decreased from 1,000 to 500 workers made redundant, this minimum requirement remains too high and excludes too many restructuring events from the EGF's scope of application. As highlighted by the Commission in its impact assessment, the analysis of cases recorded by the European Restructuring Monitor managed by Eurofound demonstrates a decline in restructuring events causing more than 500 redundancies over the last decade (dropping from 20-25% of all restructuring events between 2007-2009 to around 15% today)[13].

- *Lengthy procedures*

Secondly, the procedures are complex and too long, a fact which discourages Member States from submitting applications. The average timeframe between the EGF funding application being submitted by the Member State and the payment of funding by the Commission was 300 days for the 2007-2013 period. Despite the shorter deadlines imposed on Member States and the Commission since 2014, which brought the average timeframe down to 200 days, this lapse of time is still too long for an emergency instrument[14]. This is predominantly due to the fact that the EGF is an instrument outside the EU budget, which means that the EU's two budgetary authorities – the Council and the EP – must approve each application.

- *A co-funding rate offering little incentive*

Lastly, the EGF's rate of co-funding (currently 60%) is low when compared to that of the ESF, which ranges from 50% to 85% according to the relative wealth of each region. For regions which are covered by an ESF co-funding rate of 85%, it is naturally more advantageous to use this budgetary instrument, even in situations eligible under the EGF.

3.2 The economic effectiveness of the fund is difficult to evaluate

While the fund has been insufficiently used, has it been effective in helping the targeted job-seekers to return to employment? The results of the mid-term evaluation of the EGF shows that the offers dismissed workers "a unique combination of tailored measures that lead to more sustainable results, increase the self-esteem of beneficiaries, who finally have a more proactive approach to job seeking and improve their employability"[15].

With the data provided in the European Commission's annual reports on the EGF from 2007 to 2013[16], it is possible to assess the percentage of jobseekers benefitting from the fund who return to employment. For applications approved between 2007 and 2013, this percentage is

12. Reports from the Commission to the European Parliament and to the Council concerning the activities of the European Globalisation Adjustment Fund in 2008, 2009, 2010, 2011, 2012, 2013-2014, 2015-2016; Tina Weber, Inga Pavlovaite, Richard Smith and Meagan Andrews, Ex-post evaluation of the European Globalisation Adjustment Fund (EGF) - Final Report, European Commission, EMPL DG, 2015; Reynolds, S., The European Globalisation Adjustment Fund 2007- 2014, European Implementation Assessment, European Parliament Research Service, 2016; European Court of Auditors, Has the European Globalisation Adjustment Fund delivered EU added value in reintegrating redundant workers?, Special report n°7, Luxembourg, 2013.
13. List of EGF applications since 2007 (updated monthly) on the website of the Employment, Social Affairs and Inclusion Directorate-General, European Commission.
14. European Commission, *Impact assessment ESF+ and EGF*, 30 May 2018, p. 31.
15. Ibid.
16. Reports from the Commission to the European Parliament and to the Council concerning the activities of the European Globalisation Adjustment Fund in 2008, 2009, 2010, 2011, 2012, 2013, 2014. Data on beneficiaries is not available in the reports on the EGF's activities for the following years.

42.8%[17] (see Table 2) but there are significant variations from one case to another. The two countries which have recorded the highest re-employment rates over the 2007-2013 period are the Czech Republic (92.37%) and Poland (73.58%); while those which recorded the lowest percentages are France (21.7%) and Belgium (17.69%). The Commission's ex-post evaluation for the 2007-2013 period states that the effectiveness of EGF funding correlates positively with the proportion of under 25 year-olds and of workers with a high level of education among the beneficiaries. It is no surprise that there is a negative correlation between the percentage of workers assisted by the EGF returning to employment and the local unemployment rate[18].

TABLE 2 ▪ Jobseekers covered by EGF applications, beneficiaries and the re-remployment rate for a selection of countries between 2007 and 2013

	Jobseekers covered by the Member State's application	Jobseekers who become beneficiaries once the funding is paid to the Member State	Jobseekers who have returned to employment following the implementation of the measures	Re- employment rate
Czech Republic	460	341	315	92.4%
Poland	1,806	711	526	74.0%
Sweden	3,550	2,238	1,531	68.4%
Germany	11,349	9,620	6,146	63.9%
Italy	11,994	9,198	2,554	27.8%
Portugal	4,871	2,750	735	26.7%
France	9,824	9,813	2,130	21.7%
Belgium	7,222	5,594	990	17.7%
EU total	105,534*	81,937*	35,102*	42.8%*

*Source: Reports from the Commission to the European Parliament and to the Council concerning the activities of the European Globalisation Adjustment Fund in 2008, 2009, 2010, 2011, 2012, 2013, 2014. List of EGF applications since 2007 (updated monthly), European Commission. *: data unavailable for Estonia.*

Despite the importance of such data, it is insufficient to evaluate the performance of EGF funding. Data made available by the Commission does not, for example, allow observers to ascertain whether the percentage of jobseekers who find a job after receiving EGF funding is higher than that of jobseekers in similar situations (restructuring causing more than 500 job losses related to globalisation or the crisis) who have not received EGF funding. Moreover, available data does not provide visibility with regard to the quality of the new jobs of workers who had been made redundant. Against this backdrop, a 2013 assessment report of the European Court of Auditors on the effectiveness of the EGF, underscored that "*reintegration into employment of EGF-supported workers cannot be reliably assessed*" because "*reintegration data exist but are not sufficiently accurate, consistent or detailed for any conclusions to be drawn*"[19].

17. *Ibid.*
18. Tina Weber, Inga Pavlovaite, Richard Smith and Meagan Andrews, Ex-post evaluation of the European Globalisation Adjustment Fund (EGF) - Final Report, European Commission, EMPL DG, 2015.
19. European Court of Auditors, Has the European Globalisation Adjustment Fund delivered EU added value in reintegrating redundant workers?, Special report n°7, Luxembourg, 2013, pp. 27-28.

4. FOR A NEW EUROPEAN ADJUSTMENT FUND AFTER 2021

The argument in favour of an EGF is even more valid today than it was eleven years ago. While the aspiration for renewed protectionism is growing in public opinion in several countries, the impact of some far-reaching changes, such as robotization and the energy transition, may not be mitigated by such protectionist policies and requires, now more than ever, a reinforcement of these worker support measures. On 30 May 2018, the Commission therefore proposed to maintain the EGF after 2021. This instrument must, however, be adjusted in line with the current challenges facing European labour markets and to remedy its shortcomings identified since 2007. It is for this purpose that we will present hereafter a set of recommendations and analyse the extent to which they have already been included in the Commission's proposal.

4.1 Extending the EGF's scope of application: towards a European transition support fund

When the EGF was created in 2007, many people called for it to have a broader scope of application. This was in particular the case of the European Trade Union Confederation (ETUC), which wanted the fund to cover not only workers who suffer from companies' delocalisation to third countries but also workers who became victims of companies moving within the EU[20]. A few years later, in 2011, the International Labour Organization proposed an extension of the EGF's scope to address the adjustment pressures associated with greening the economy[21]. Calls for the EGF's scope of application to be extended are therefore nothing new, but they have gained momentum for a number of reasons.

First and foremost, it is now increasingly difficult and contrived to single out a specific cause behind a restructuring event, in that various challenges such as trade openness and technological progress are often linked and/or are mutually reinforcing. It therefore appears to be more effective to condition European funding on the extent of the restructuring (measured by the number of redundancies) rather than on its cause. In addition, the negative impact of globalisation on jobs is more systematically related to trade openness, while the dissemination of technological advances that it fosters and which results in productivity gains has an impact which is undervalued. Against this backdrop, a study conducted by two professors from Ball State University concludes that in the USA, between 2000 and 2010, around 87% of job losses in industry are a result of greater productivity yields made possible by automation and improved technologies. The authors suggest that job losses related to trade openness only account for 13% of total job losses[22].

In the EU, the Eurofound agency has demonstrated that offshoring has less impact on jobs today than it did fifteen years ago. In 2015-2016, offshoring accounted for 3% of all job losses recorded by the European Restructuring Monitor, as against 7% between 2003 and 2007[23].

Challenges such as robotization, the digitisation of the economy and the energy transition will inevitably have an increased impact on employment in Europe. According to a study by the OECD, 9% of jobs in OECD countries are automatable and are therefore set to disappear.

20. The ETUC's position is quoted in a Euractiv article, EU Globalisation fund: more than solidarity symbol? dated 2 March 2006.
21. International Labour Organization, Towards a greener economy : the social dimensions, Geneva, 2011.
22. Michael Hicks and Srikant Devaraj, *The myth and the reality of manufacturing in America*, Ball State University, June 2015.
23. J. Hurley, D. Storrie, E. Peruffo: *ERM annual report 2016: Globalisation slowdown? Recent evidence of offshoring and reshoring in Europe*, Eurofound, Luxembourg, 2016.

Meanwhile, the ILO believes that the greening of the economy may give rise to 6 million job losses by 2030 (despite the potential creation of 24 million new jobs). Broadening the EGF's scope of application therefore reflects an economic efficiency issue, allowing the fund to be better positioned to meet the current economic challenges.

This extension is also justified for reasons of social equity: if a few hundred workers are made redundant upon closure of a coal mine or nuclear power station, they must be eligible for European funding to assist their professional retraining as much as workers whose company has relocated to a third country.

In its proposal concerning the EGF's future, the Commission has retained the idea of broadening the fund's scope of application from 2021. It is now up to the Council and the EP to approve the proposal in the coming months.

4.2 Simplifying the procedure and ensuring an improved rate of use of the new fund

Broadening the EGF's scope of application to include any major restructuring event regardless of the cause has a third objective in addition to the goals of enhanced economic efficiency and greater social equity. It would also bring about a simplification of the process. As Member States would no longer have to supply supporting documents to justify the cause of redundancies, the administrative burden would be reduced (for both Member States and for the Commission) and the timeframe from the notification of redundancies and the actual payment of EGF funding would be shortened. This simplification would be positive and would contribute to increase the EGF's rate of use, as the cumbersome procedure is often cited by Member States as an obstacle when applying for EGF funding.

To increase the use of the future European transition support fund, it is also necessary to address two EGF shortcomings highlighted in ex-post evaluations: the minimum number of workers remains too high and the co-funding rate is too low for countries which enjoy an ESF co-funding rate of 85%. The Commission has made welcome changes in these areas in its proposal.

The proposal puts forward a decrease in the minimum number of redundancies required to apply for EGF funding. While today restructuring is considered to be "major" when more than 500 workers are made redundant, from 2021 the minimum number will be dropped to 250 job losses[24]. This will allow a greater number of restructuring situations to be eligible for the new fund given that, as the Commission states, there is a general trend towards fewer larger scale events, while redundancies of 250 workers over a short period is a major issue in regions that are remote or dependent on an economic sector[25].

Furthermore, to avoid Member States favouring the use of the ESF, the Commission proposes that the EGF's co-funding rate is no longer set uniformly at 60% but adjusted to the higher ESF co-funding rate in the Member State submitting the application. This change leads to a less favourable situation for countries which only have regions recording a per capita GDP higher than 90% of the EU average (e.g. Sweden, Finland, Denmark) for which the co-funding rate will drop to 50%. Conversely, this change is beneficial for countries with regions recording per capita GDP lower than 75% of the EU average (predominantly eastern and southern European countries) which will enjoy a co-funding rate of 85%.

24. The reference period during which the redundancies take place will be dropped from nine to six months, however. In addition, a new provision has been added to enable Member States to submit an application for EGF funding in the event of redundancies occurring in the same region, but in different economic sectors. In the case of small labour markets, small Member States or remote regions, or under exceptional circumstances, applications may be submitted for a lower number of redundancies.
25. European Commission, *Impact assessment ESF+ and EGF*, 30 May 2018.

Despite the various positive steps proposed by the Commission, the implementation of the EGF could be facilitated further if the EP and the Council made two additional changes to the EGF post-2021.

Firstly, funds would be mobilised more quickly if the EGF was included in the budgetary ceilings of the multiannual financial framework (MFF). Many stakeholders have called for a move in this direction[26]. The Commission has decided not to pursue this avenue, however, arguing that the EGF is an emergency fund and is not intended to absorb a specific budget. However, the EGF is different to the EU's other special instruments outside the MFF, in particular the EU Solidarity Fund[27]. For this fund, which is used to help EU regions which have suffered major natural disasters, it appears evident that a budget is not pre-allocated given the unforeseeable nature of its use. However, in the case of major restructuring events in EU companies/regions, given that there are transitions underway through which some will inevitably lose out (we know now for example that the energy transition will result in job losses in coal regions and potentially in industries with high carbon emissions), it appears reasonable to pre-allocate a budget to this fund. Any amounts which were not spent over one year would be used the next year to strengthen the prevention and anticipation of restructuring events, via the ESF.

Secondly, the use of the fund would be facilitated if regions and more broadly local authorities and social partners (and not solely Member States) could submit applications to the Commission directly, as expressed by László Andor, former member of the European Commission in charge of employment and social affairs[28]. This would be relevant for the United Kingdom for example, as the British government decided not to use the EGF.

4.3 Enhancing the effectiveness of projects funded by the European transition support fund

To enhance the effectiveness of projects financed by the fund, improved monitoring and assessment of the projects it supports must be achieved as a priority. Addressing the lack of data available up to now, the Commission proposes to introduce a common monitoring system with output and result indicators from 2021. While the performance of the new fund will be predominantly measured through re-employment rates (the percentage of people who find work after receiving funding), the new monitoring system will also include data on the type and quality of jobs (e.g. permanent or non-permanent) and qualifications gained by beneficiaries which improved their employability.

This new monitoring system proposed by the Commission will be an important tool for an improved assessment of the fund's performance. The Commission must, however, improve data collection, not only for EGF projects but also for restructuring events in Europe which do not receive EGF funding, with a view to obtaining a clear assessment of this budgetary instrument's added value. In addition, while re-employment rates currently differ greatly according to the project and the country (see Table 2), this new monitoring system must be used to foster the sharing of best practices and thereby to enhance the fund's financing effectiveness.

Going beyond the issues of monitoring and assessment, the fund's performance must be enhanced by giving priority to initiatives which guarantee the best results in terms of workers re-employment. Against this backdrop, the report of the European Court of Auditors on the EGF's effectiveness stresses that the funding of national income support schemes (even if

26. Grégory Claeys and André Sapir, The European Globalisation Adjustment Fund: Time for a reset, Blogpost, Bruegel, 11 April 2018.
27. On this topic, see Eulalia Rubio, The next Multiannual Financial Framework and its Flexibility, *In-depth analysis of the Budget DG*, European Parliament, November 2017.
28. Robin Huguenot-Noël and László Andor, Balancing Openness and Protection: How can the EU budget help?, *Commentary*, EPC, 14 March 2018.

conditioned on "activation" measures for the unemployed) – which accounted for 33% of the costs refunded for projects funded by the EGF between 2007 and 2013 – does not provide added value when compared to national measures. The Court proposed to limit EU funding to measures aimed at the improvement of the beneficiaries' prospects of finding gainful employment or of increasing their earnings capacity, such as training, aid for self-employment, coaching, mobility allowances and educational grants. This restriction was not adopted in the Commission's proposal.

However, with a view to strengthening worker employability and therefore improving the new fund's performance, the Commission's proposal is to be commended for making the acquisition of digital skills a mandatory horizontal element of any project funded by the EGF after 2021, in line with the digital transformation of the economy.

4.4 Improving synergies between the fund and the other European instruments

The EGF's existence is intrinsically linked to that of the ESF (which will become the ESF+ from 2021, see Box 3). The ESF+, endowed with a budget of EUR 101.2 billion over seven years (according to the Commission's proposal), must help to anticipate and plan restructuring events with a view to limiting job losses, while the EGF is designed to provide assistance reactively, in the event of unforeseen major restructuring. As the ETUC states, preventive and anticipatory action must be favoured, while ensuring a coordination between the two European instruments. This could mean, for example, ensuring that the initiatives funded by the ESF+ and by the EGF are consistent. However, the EU's assistance for restructuring events is not restricted to budgetary funding. Since 2013, the EU has implemented an "EU Quality Framework for anticipation of change and restructuring" (QFR), which sets out the best practices to take action upstream of company restructuring and to limit the impact on workers. It includes both anticipatory actions and management measures for individual restructuring processes, with guidelines for companies, workers, social partners and public authorities. It will prove important to ensure that the guidelines of this QFR will be taken into account in the funding granted by the EU to anticipate and manage restructuring events.

BOX 3 ▪ The European Social Fund +

For the 2021-2027 period, the ESF+, as proposed by the Commission, will merge the current European Social Fund (ESF), the Youth Employment Initiative (YEI), the Fund for European Aid to the Most Deprived (FEAD), the EU programme for Employment and Social Innovation and the EU Health Programme. This merger aims to pool resources and simplify the existing rules in all funds and to foster synergies between the various sections of the Fund to obtain the best effects. The EU's only budgetary instrument in the social field of employment which is not included in the ESF+ is the EGF. The three main focus areas of the ESF+ will be: 1) education, training and lifelong learning; 2) labour market efficiency and equal access to quality employment; 3) social inclusion, health and combatting poverty. The ESF+ will be endowed with a budget of EUR 101.2 billion for the 2021-2027 period according to the Commission's proposal, while the EGF's expenditure ceiling for the same period will be EUR 1.6 billion.

The EU still has the European Restructuring Monitor (ERM), managed by the Eurofound agency, which collates data on major restructuring events reported in the media. As Bruegel proposes, the Commission could play a more proactive role in the mobilisation of the new fund by using this database to identify redundancy plans which meet the fund's eligibility criteria and suggest that national authorities submit a funding application.

Lastly, the projects funded by the EGF must also take into account the Commission's work on the identification of future skills and jobs. While the acquisition of digital skills proposed by the Commission is positive, other skills also deserve to be promoted, for example those required for the new jobs created by the energy transition.

4.5 A fund with an increased budget and greater visibility

In 2006, the EU Member States approved the creation of the EGF and endowed it with an annual expenditure ceiling of EUR 500 million. At the time, this amount was widely criticised as being relatively low given the challenge it was supposed to meet. Yet this ceiling has been constantly cut since 2007, and now stands at EUR 150 million per year. For the post-2020 period, while the Commission proposes a set of measures to ensure a greater use of the fund – extension of its scope, reduction in the minimum number of job losses to qualify for the fund and an increase in the fund's co-funding rate for the EU's less developed regions – its annual expenditure ceiling has only been increased to EUR 225 million. There is therefore a paradox, if we compare the situation in 2007 and that predicted for 2021, between the fund's broadened scope and role, and the sharp reduction in its budgetary impact.

Bruegel estimates the amount of money needed by the fund to cover all workers made redundant due to globalisation at EUR 800 million[29] per year. This will not be the fund's objective, as we have seen, but while it only covers restructuring events of more than 250 workers and given that any restructuring event may be eligible to apply regardless of its cause, it seems reasonable to at least rekindle the fund's original ambition of a EUR 500 million endowment each year, i.e. twice the amount earmarked at this stage by the Commission. If this fund must be an instrument capable of meeting the challenges facing European labour markets today, the EP and Council must agree on a significant budget increase.

Lastly, ensuring the fund's visibility is fundamental to derive maximum benefit from it. This fund will only be used if stakeholders on the ground are aware of it. Furthermore, while the fund is supposed to provide assistance in relation to restructuring events which will be exposed to major media coverage (because they result in hundreds of redundancies), it is also important to guarantee that the EGF's interventions are visible to citizens to highlight the work of the EU, which is too often criticised of favouring economic liberalisation and of leaving support policies up to Member States.

To increase the EGF's visibility, campaigns to raise awareness among stakeholders on the ground and communication initiatives must be launched. The Commission cares about maintaining the fund's current relative visibility and has proposed to retain its current name with the reference to globalisation, despite broadening its scope of application. This option has the disadvantage of failing to reflect the fund's real scope post-2021. This may have an adverse impact on the understanding and endorsement of the fund by stakeholders and citizens. In addition, the notion of "adjustment" found in the fund's name has a negative connotation that should be corrected. A change of name is therefore one of the improvements that the EP and Council can bring to the post-2021 fund over the coming months. The rapporteur of this regulation at the EP for the Employment and Social Affairs Commission (Maria Arena, S&D) suggested naming it the "European Transition Support Fund", which echoes our position.

29. Grégory Claeys and André Sapir, The European Globalisation Adjustment Fund: Time for a reset, *Blogpost*, Bruegel, 11 April 2018.

CONCLUSION

Since its creation, the European Globalisation Adjustment Fund has clearly not achieved its potential. It has supported the professional retraining of several tens of thousands of workers in Europe affected by major restructuring events. Yet, despite a relatively low budget, it has been under-used, with only 15% of its expenditure ceiling being allocated. In addition, its political visibility has remained very limited and its economic effectiveness is difficult to measure.

This does not mean that the fund should be shelved. On the contrary, the far-reaching and swift changes underway in our economies and the political considerations on the specific added value of European action require fund's potential to be fully unlocked. The negotiation of the next MFF for the 2021-2027 period, within which the EGF should be incorporated, is an opportunity to achieve this. The Commission, European Parliament and EU Council must seize this chance to give the EU a genuine European transition support fund with a broader scope and enhanced effectiveness in relation to the current fund.

This is Europe's duty. As trade openness is an EU competence, it is natural that it takes on part of the budgetary responsibility of managing the adverse effects that this openness may cause. In this way, the EU can show that it is not simply focused on providing new opportunities to the winners of globalisation but that it is, in a broader sense, watchful that these economic changes do not give rise to social crisis but rather pave the way for new beginnings.

A fund like the EGF shares the vocation of European construction which, as early as the Schuman Declaration, made provision for the creation of a restructuring fund. It plays a part in meeting the European objectives of developing "a social market economy" and "territorial cohesion" as provided for in the treaties. As an emergency fund designed to "remedy" the negative effects of ongoing transitions after the event, it is part of a broader European action to invest in human capital, of which the main instrument is the European Social Fund, which contributes to anticipate transitions upstream.

The EU's response, while cleverly orchestrated, can not be only a budgetary one. To ensure that European funds do not have to fix what the EU has "broken" in the first place, support alongside the transitions which are disrupting our economies is also provided in European legislation and in the coherence with the other EU public policies. This starts with the negotiation of the EU's trade agreements with the rest of the world. It also includes coordination actions and other support initiatives for EU Member States. The EU must act in partnership with local, regional and national authorities, economic stakeholders and social partners. It is through this close cooperation that the European transition support fund will unlock all its potential for solidarity.

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