Trade and labour adjustment in Europe: What role for the European Globalization Adjustment Fund?

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DISCLAIMER: The views expressed herein are those of the authors and do not necessarily reflect an official EC position
European Globalization Adjustment Fund (EGF)

- Established in 2006; operational since 2007; renewed in 2013 for the period 2014 to 2020;

- The objective is to help workers made redundant due to the impact of globalisation or the economic crisis

- How? By co-funding active labour market policies to train and re-locate workers (including NEETs) across sectors
EGF: the Regulatory Framework

  - Regulation 546/2009 (18 June 2009)
- Outside the Multi-Annual Financial Framework
- Tailored active labour-market measures
- Annual budget: € 150 million (in 2011 prices)
EGF: reasons to apply

Support to people losing their jobs as a result of:

• Major structural changes in world trade patterns due to globalisation, demonstrated in particular by:
  Ø Increase in imports
  Ø Shift in trade in goods or services
  Ø Decline of market share
  Ø De-localisation of activities to third countries

• The continuation of the global economic and financial crisis (or a possible new crisis)
# EGF: How it works

<table>
<thead>
<tr>
<th>Who can apply?</th>
<th>The member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>What can an application be for?</td>
<td>Active labour market policy measures: job search, training, upskilling, outplacement, business startup, etc.</td>
</tr>
<tr>
<td>How much can the EGF pay?</td>
<td>60% of the total cost</td>
</tr>
<tr>
<td>Who pays the rest?</td>
<td>The State, the region, the local authority, private funds</td>
</tr>
<tr>
<td>Implementation period?</td>
<td>24 months from application</td>
</tr>
</tbody>
</table>
EGF: Two Intervention Criteria

1. At least 500 workers being made redundant
   (a) over a reference period of 4 months (by the same enterprise and its suppliers or downstream producers)
   (b) over a reference period of 9 months (different enterprises, operating in the same economic sector)

2. Derogation clause for small labour markets or exceptional circumstances

A serious impact on employment and the local, regional or national economy needs to be demonstrated to justify EU intervention
Why is EGF important for Trade Policy?

• Growing concerns about job losses from trade integration
• Trade liberalization is overall beneficial but there are losers
• Policymakers must anticipate these concerns by promoting effective adjustment policies
• **EGF** is the right tool if well-implemented at Member States level
• One caveat: shift in trade flows (which justify the application of the fund) are not exclusively caused by trade policy initiatives (like trade agreements)
EGF Applications received until 2016*

- **Globalisation**
- **Crisis**

<table>
<thead>
<tr>
<th>Year</th>
<th>Globalisation</th>
<th>Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>2008</td>
<td>5</td>
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<td>2014</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

- **People covered (incl. NEETs) right-hand axis**
- **EGF Contribution (Euro mio)**

<table>
<thead>
<tr>
<th>Year</th>
<th>People covered</th>
<th>EGF Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>10679</td>
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<tr>
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<td>26867</td>
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<tr>
<td>2009</td>
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<tr>
<td>2016</td>
<td>6860</td>
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</tbody>
</table>
EGF 2014-2015 evaluation: re-employment rates

- Average re-employment rate achieved across the 13 cases which had completed implementation at the time of the evaluation was 58%. (Higher than the 49% average in the 2007–2013 period).
- Sectors affected were both in manufacturing (machinery and equipment, automotive, glass, basic metals) and services (air transport, aircraft maintenance, wholesale trade, computer programming).
- High re-employment rates were achieved in all EGF cases implemented in Ireland, Italy, Spain and Finland.
- 58% of redundant workers found another job; 72% of them permanent/full-time.
Is the EGF underutilised?

• How many job losses can be attributed to globalization?
  
  • On average, the announced reasons for job losses are internal restructuring (65%), bankruptcy or closure (26%) and re-location (4.6%)

  • Among sectors with major job churning some are not subject to globalization pressure, e.g utilities, administration

In 2016, the EGF applications under analysis will potentially cover around 18% of the announced **net** job losses

Source: European Restructuring Monitor Quarterly reports (2016)
EGF: What hinder its use?

- Major efforts made to understand EGF functioning and find ways for improvement
- Key issues:
  - Intervention criteria?
  - The scope of the regulation?
  - Lack of efficient active labour market policies?
  - The co-funding coefficients?
  - Lack of information?
EGF vs. other existing EU funds

• Other instruments, e.g. the European Social Fund (ESF) aims at improving jobs opportunities and improving access to employment
  • Designed and implemented in partnership with national and regional authorities
  • Budget of EUR 10 billion a year
  • Co-financing rate ranging from 50% to 85%
• The Youth Employment Initiative (YEI) supports young people where youth unemployment was higher than 25% in 2012
Future challenges

- *EGF remains a rather small, little known EU instrument*
- *But the current political context invites for a major reflection on trade policy and social realities, public perceptions, etc.*
- *Many gains from trade are invisible: job creation, poverty, consumer gains, etc*
- *The reasons for the creation of EGF a decade ago are stronger than ever and its political relevance is bound to grow*