



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

*Lucian Cernat and Federica Mustilli*

*DG TRADE*

*European Commission*

*Geneva, November 2016*

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

- EGF 2007-2013: Regulation 1927/2006 (20 Dec 2006)
  - Regulation 546/2009 (18 June 2009)
- EGF 2014-2020: Regulation 1309/2013 (17 Dec 2013)
- 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:
  - Increase in imports
  - Shift in trade in goods or services
  - Decline of market share
  - 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

---

Who can apply?

The member states

What can an application be for?

Active labour market policy measures : job search, training, upskilling, outplacement, business startup, etc.

How much can the EGF pay?

60 % of the total cost

Who pays the rest?

The State, the region, the local authority, private funds

Implementation period?

24 months from application

---





## 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**



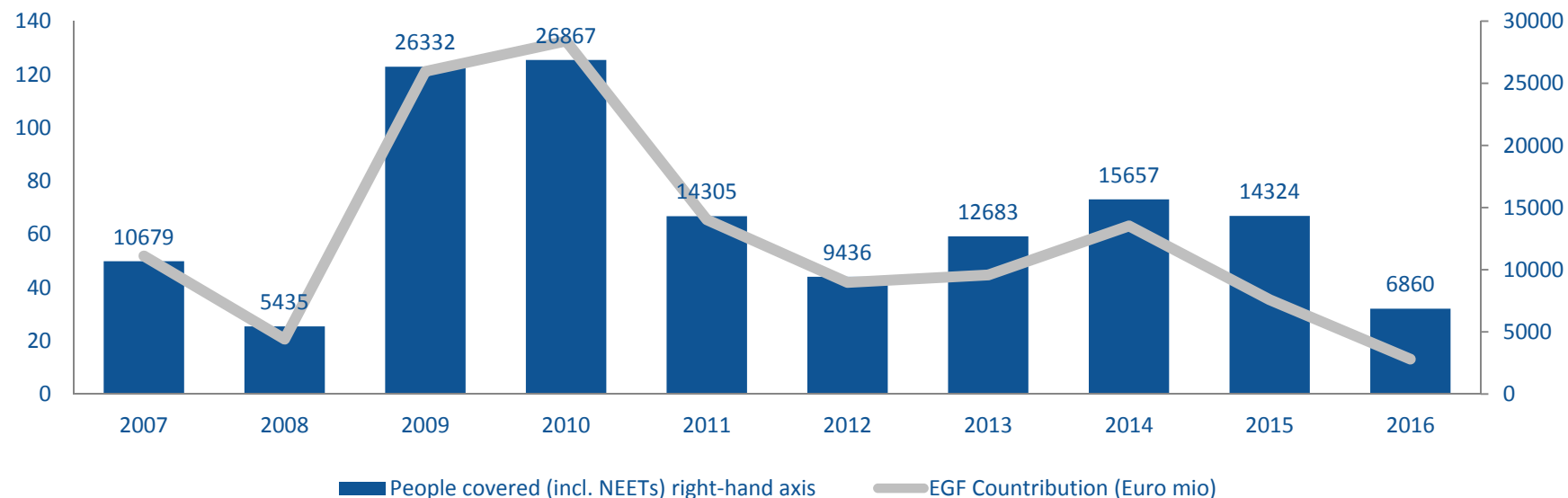
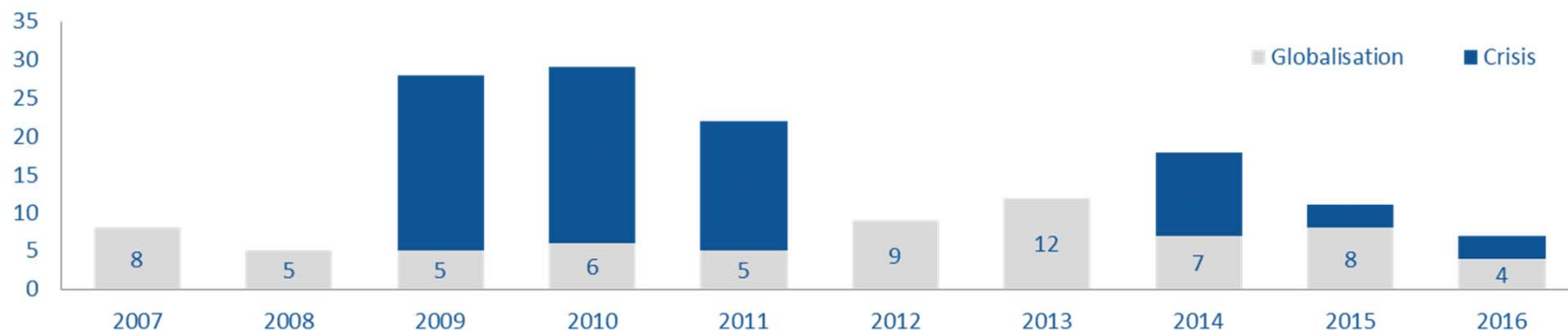
## Why is EGF important for Trade Policy?

- 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\*







## EGF 2014- 2015 evaluation: re-employment rates

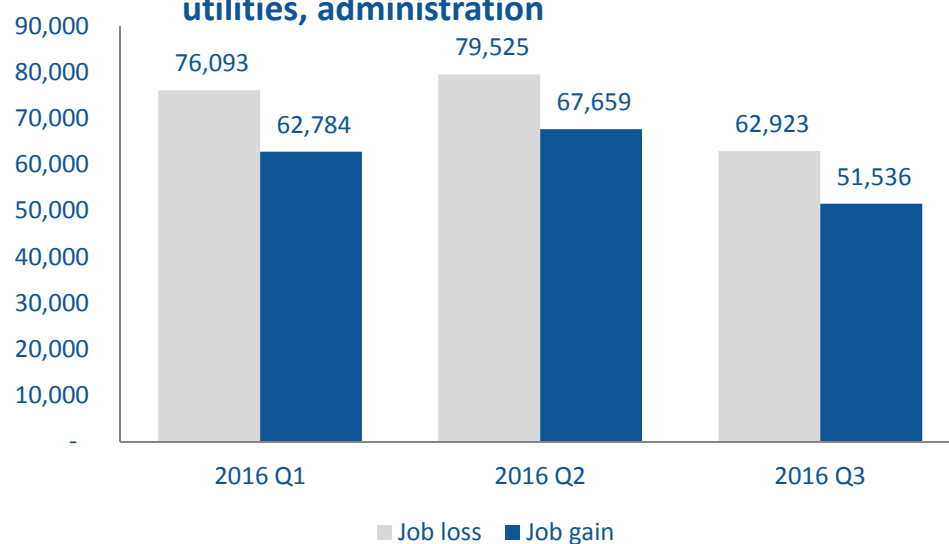
- Average re-employment rate achieved across the 13 cases which had completed implementation at the time of the evaluation was 58 %. (Higher than the 49 % average in the 2007–2013 period).
- Sectors affected were both in manufacturing (machinery and equipment, automotive, glass, basic metals) and services (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*