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Assembly

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Aidan Stennett

# European Globalisation Adjustment Fund

## 1 What is the European Globalisation Adjustment Fund?

The European Globalisation Adjustment Fund (EGF) *'provides one-off, time-limited individual support geared to helping workers who have suffered redundancy as a result of **globalisation or the current crisis**'* (emphasis added).<sup>1</sup>

A total of €500m is available each year through the fund which is intended to help workers find new jobs and develop new skills. The fund is applicable to workers who have lost their jobs due to:

- Changing global trade patterns – for example, when a company shuts down or a factory is relocated to outside the EU; or,
- The global financial and economic crisis – EGF funding has been available in this area since 1 May 2009. This was originally intended to cease on 31 December 2011.<sup>2</sup> However, the Commission has proposed that it is extended until 31 December 2013. The relevant provision is currently with the Committee for

<sup>1</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund* (accessed 14 September 2012) <http://ec.europa.eu/social/main.jsp?catId=326&langId=en>

<sup>2</sup> *Ibid*

Employment and Social Affairs. The final parliamentary vote is scheduled for the 29 September 2012.<sup>3</sup>

The funding can be used to finance:

- Job-search assistance;
- Careers advice;
- Tailor-made training and re-training;
- Mentoring; and
- Promoting entrepreneurship.<sup>4</sup>

It can also be used to provide a one-off, time-limited support, including:

- Job-search allowance;
- Mobility allowances; or
- Allowances for participating in life-long learning and training activities.<sup>5</sup>

The funding cannot be used to fund social protection measures such as unemployment benefits or pensions.<sup>6</sup>

Member States can receive up to 50% of funding towards plans to assist workers (between the 1 May 2009 and 31 December 2011 the upper limit of European funding was 65%).<sup>7</sup>

## 2 Who can apply for the EGF?

Only Member States may apply for the EGF. The impetus for the application may come from those affected in a specific locality or region, but the application should be submitted by the Member State and signed by a person authorised to represent the Member State. The representatives of Member State are normally the relevant Department or Ministry, or the Member State's Permanent Representation to the EU.

The potential for the representation of Member State to be delegated to a region for the purposes of submitting an EGF application is not ruled out, so long as *this delegation...[is]...documented and signed by the delegating and receiving party*.

When making an application, the Member State or delegated regional representative is required to provide a *'reasoned analysis of the link between the planned actual*

<sup>3</sup> European Parliament Legislative Observatory *European Globalisation Adjustment Fund (EGF): temporary derogation* (accessed 14 September 2012)

[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2011/0147\(COD\)&l=en#basicInformation](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2011/0147(COD)&l=en#basicInformation)

<sup>4</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund* (accessed 14 September 2012) <http://ec.europa.eu/social/main.jsp?catId=326&langId=en>

<sup>5</sup> *Ibid*

<sup>6</sup> *Ibid*

<sup>7</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund - Applications* (accessed 14 September 2012) <http://ec.europa.eu/social/main.jsp?catId=582&langId=en>

*redundancies and major structural changes in world trade patterns*. Member states must provide clear evidence of causation. Furthermore:

*Data related to delocalisation to third countries should demonstrate there is a substitution of production previously carried out within the EU by production in a third country.*<sup>8</sup>

Similarly, when making an application under the economic and financial crisis proviso, the Member State must *'establish a direct and demonstrable link between the redundancies and the financial and economic crisis'*.<sup>9</sup>

Such an analysis should be based on evidence from:

*...recognised and reliable sources (for example, Eurostat or a national equivalent). Member States should provide clear statistical information and background, demonstrating that redundancies follow in particular a substantial increase of imports into the EU, a rapid decline of the EU market share in a particular sector, or the delocalisation of the business to a non EU country. Data related to delocalisation to third countries should demonstrate there is a substitution of production previously carried out within the EU by production in a non EU country.*<sup>10</sup>

The Member State must also provide a *'demonstration'* of the number of redundancies and *'an explanation of the unforeseen nature of those redundancies'*.<sup>11</sup>

Prior to making an application the Member State must also have developed a plan to help the workers affected.<sup>12</sup>

### 3 Redundancies

The minimum number of redundancies necessary before an EDF application is applicable is 500. There are three possible points in time from when these redundancies may be counted:

- When an employer gives notice to a worker of his or her intention to terminate the contract of employment; this is normally (but not necessarily) done by means of an individual letter of dismissal;

<sup>8</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund – Application Guidelines* <http://ec.europa.eu/social/BlobServlet?docId=2709&langId=en>

<sup>9</sup> Regulation (EC) No 1927/2006 of the European Parliament and of the Council on establishing the European Globalisation (as amended by Regulation (EC) No 546/2009) Adjustment Fund <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006R1927:20090702:EN:PDF>

<sup>10</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund – Frequently asked questions* (February 2012) <http://ec.europa.eu/social/BlobServlet?docId=2710&langId=en>

<sup>11</sup> Regulation (EC) No 1927/2006 of the European Parliament and of the Council on establishing the European Globalisation (as amended by Regulation (EC) No 546/2009) Adjustment Fund <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006R1927:20090702:EN:PDF>

<sup>12</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund - Applications* (accessed 14 September 2012) <http://ec.europa.eu/social/main.jsp?catId=582&langId=en>

- When there is a de facto termination of the contract of employment before its expiry, i.e. the date when the worker actually leaves the workplace; and,
- When in conformity with the provisions of article 3(1) of the Council Directive on collective redundancies the employer notifies the competent public authority in writing of the projected collective redundancies.<sup>13</sup>

In the third instance, *'the applicant Member State must provide the Commission with additional information on the actual number of redundancies affected, before the Commission has finalised its assessment on whether the conditions for making a financial contribution are met'*.<sup>14</sup>

Fixed term contract workers may be included in the total number of layoffs *'only if their contract of employment is terminated before its expiry through notice of dismissal or de facto termination'*. Temporary agency may be included *'provided that their contracts with the agency are terminated as a result of the lay-offs in the main enterprise... [a] clear connection between the two events must be demonstrated'*.<sup>15</sup>

Workers that have volunteered for early retirement may be included in the total *'if they have volunteered following a call for candidates by their employer, and if the other criteria for an eligible application are complied with'*. Furthermore, *'they can also be included in the measures co-funded by the EGF, if they wish to pursue new opportunities in the labour market'*.<sup>16</sup>

#### 4 Potential for funding beyond a specific company?

According to the regulations (Regulation (EC) No 1927/2006), EGF may be used to assist workers made redundant in SMEs or in a broader region(s) in three possible ways:

1. Under Article 2(a), if a SME is a direct contractor or supplier of an enterprise suffering redundancy (over a period of four months) as a result of the effects of globalisation the redundancies in that SME may be included in the application made by the Member State. If redundancies in an enterprise result in supplier redundancies in another Member State could, if fewer than 500, be the object of an application under Article 2(c) citing *'exceptional circumstances'* (see point three below). An application may be made by the seconded Member State even if the main affected Member State chooses not to apply;
2. Under article 2(b) SME redundancies (over a period of nine months) in one or two *'physically adjacent'* NUTs II regions (contiguous regions) may be included within a particular NACE 2 division (European Industry classification). Note:

<sup>13</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund – Frequently asked questions* (February 2012) <http://ec.europa.eu/social/BlobServlet?docId=2710&langId=en>

<sup>14</sup> *Ibid*

<sup>15</sup> *Ibid*

<sup>16</sup> *Ibid*

Northern Ireland itself is a NUTs II region. The EGF regulations do not define ‘contiguity’ in the case of two regions separated by water. It is up to the Member State concerned to ‘demonstrate that these two such regions are part of the same local or regional labour market’. Potential exists for redundancies in two Member States with physically adjacent NUTs II regions to be included, i.e. Northern Ireland and the Republic of Ireland’s Border Midland and Western Region. Each Member State is required to submit a separate application, but these can be linked and redundancies in each region may count toward the 500 redundancies criteria;

3. Under Article 2(c) an EGF application can be made in relation to ‘small labour markets’ (for example, a remote and sparsely populated region or a geographically isolated area) or under ‘exceptional circumstances’ (where “the conditions of Article 2 (a) or (b) are not entirely met, and when redundancies have a serious impact on employment and the local economy”). This could also benefit the workers made redundant by SMEs.<sup>17</sup>

## 4 Timescales

Article 5 of the regulations states that application is submitted within 10 weeks of the date on which the conditions set out in Article 2 are met. That is, 10 weeks after 500 redundancies in a single enterprise and its supplier within a period of four months due to ‘rapid decline of the EU market share in a given sector or a delocalisation to third countries’ or 500 redundancies over a period of nine months, particularly SMEs, in one or two contiguous NUTs II regions, in a NACE 2 division.<sup>18</sup> The 10 week period is provided for the preparation of the application.

Assuming the application is accepted, ‘expenditure becomes eligible from the date on which the Member State starts to provide the affected workers with the personalised services described and budgeted in the (future) application to the Commission’. The length of support is restricted to 24 Months from the date of application. Services may extend beyond this, but they cannot be co-financed by the EGF.<sup>19</sup>

## 5 Uptake of the funding

Table 1, (appendix 1), provides recent information on the companies/regions associated with EGF funding, the countries, the amount of funding, the number of people assisted and assistance calculated on a per person basis. (this data is correct as of 04 September 2012).

<sup>17</sup> *Ibid*

<sup>18</sup> Regulation (EC) No 1927/2006 of the European Parliament and of the Council on establishing the European Globalisation (as amended by Regulation (EC) No 546/2009) Adjustment Fund <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006R1927:20090702:EN:PDF>

<sup>19</sup> European Commission – Employment, Social Affairs and Inclusion *European Globalisation Adjustment Fund – Frequently asked questions* (February 2012) <http://ec.europa.eu/social/BlobServlet?docId=2710&langId=en>

Note, in the EGF frequently asked questions, the Commission states that:

*In practice, so far, no application proposed to the Budgetary Authority has been rejected.*<sup>20</sup>

It is evident from Table 1, however, that a number of applications have been withdrawn. Table 1 shows that, as of 04 September 2012, there had been 101 applications to the EGF (including 9 that were withdrawn). The total amount of EGF funding provided was €44.3m, which has aided 91,842 workers, with the per-person assistance rate of €4,827.

The UK is absent from both Figure 1 and Table 1. The Country has not applied for EGF funding. A response by the Department of Work and Pensions to a Freedom of Information request in May 2012 cites two reasons for the UK's absence:

- The companies considered did not meet the criteria; and
- The services the fund provides for are 'currently and adequately' provided by Job Centre Plus's Rapid Response Team.<sup>21</sup>

The House of Commons European Scrutiny Select Committee, reflecting the UK Government's position in general, has expressed concerns over the EGF. For example, during the Committee's recent scrutiny of the 'Draft Decision on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management', it noted the Government's view on the funding:

*[T]he Government has been clear that it wants to see real budgetary restraint in the EU over the coming years, as well as the longer term, in order to avoid unaffordably high costs to the UK and to UK taxpayers;*

*[T]o deliver this goal, the Government will continue to work hard to limit EU spending, reduce waste and inefficiency and ensure that where EU funds are spent they deliver the best possible value for money for taxpayers; and*

*[A]s part of this, it is essential that EU expenditure is closely scrutinised on the basis of value for money.*<sup>22</sup>

The Committee concluded:

*We share the Government's concern about the apparent unacceptability of the level and purpose of this proposed funding. So before considering the*

<sup>20</sup> *Ibid*

<sup>21</sup> Department for Work and Pensions Freedom of Information (Ref: VTR 1737)

[http://www.whatdotheyknow.com/request/european\\_globalisation\\_adjustmen](http://www.whatdotheyknow.com/request/european_globalisation_adjustmen)

<sup>22</sup> European Scrutiny Committee *European Globalisation Adjustment Fund* (09 May 2012)

<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmeuleg/86i/8610.htm>

*draft Decision further we should like to hear about the outcome of the Government's efforts to bear down on the costs proposed.*

## Appendix 1: Overview of EGF Application on 4 September 2012

	Member State	Case (company/region)	Industry	EGF amount (€m)	People	€/person
2007	France	Peugeot	Motor	2.6	267	9,581
	France	Renault	Motor	-	-	-
	Germany	BenQ	Mobile phone	12.8	3,303	3,865
	Finland	Perlos	Mobile phone	2	915	2,217
	Italy	Sardegna	Textile	11	1,044	10,509
	Italy	Piemonte	Textile	7.8	1,537	5,074
	Italy	Lombardia	Textile	12.5	1,816	6,902
	Malta	Textiles	Textile	0.7	675	1,009
	Spain	Delphi	Motor	-	-	-
	Potugal	Lisboa-Alentejo	Motor	2.4	1,122	2,162
<b>Yearly Total</b>				<b>51.8</b>	<b>10,679</b>	<b>4,847</b>
	Member State	Case (company/region)	Industry	EGF amount (€m)	People	€/person
2008	Italy	Toscana	Textile	3.9	1,558	2,474
	Spain	Delphi	Motor	10.5	1,589	6,590
	Lithuania	Alytaus tekstilė	Textile	0.3	600	498
	Spain	Castilla Leon	Automotive	2.7	588	4,582
	Spain	Catlonia	Textile	3.3	1,100	2,006
<b>Yearly Total</b>				<b>20.6</b>	<b>5,435</b>	<b>3,795</b>

	Member State	Case (company/region)	Industry	EGF amount (€m)	People	€/person
2009	Potugal	North/Centre	Textile	0.8	1,000	833
	Germany	Nokia	Mobile phone	5.6	1,316	4,220
	Austria	Magna Steyr	Motor	-	-	-
	Belgium	Oos-West Vlaanderen	Textile	7.5	1,568	476
	Belgium	Limburg	Textile	1.7	631	2,661
	Italy	Gruppo Merloni	Domestic Appliances	-	-	-
	Sweden	Volvo	Motor	9.8	100	6,560
	Ireland	Dell	Comptuter	14.8	2,400	6,180
	Austria	Steiermark	Motor	5.7	400	14,264
	Lithuania	Ab Snaige	Domestic Appliances	0.3	480	538
	Netherlands	Hejimans	Construction	0.4	435	888
	Ireland	Waterford Crystal	Crystal Glass	2.6	598	4,299
	Germany	Karmann	Automotive	6.2	1,793	3,458
	Spain	Valencia	Ceramic Industry	6.6	1,600	4,124
	Denmark	Danfoss Group	Mech/Electronic	8.9	1,010	8,805
	Lithuania	Furniture	Furniture	0.7	636	1,041
	Lithuania	Construction	Constrution	1.1	806	1,388
	Lithuania	Wearing apparel	Wearing apparel	0.5	491	1,066
	France	Renault	Autmotive Setor	24.5	3,582	6,838
	Spain	Castilla La Mancha	Wooden doors	2	557	3,501
	Ireland	SR Technics	Aircraft Maintenance	7.4	850	8,670
	Bulgaria	Kremikovsti AD	Manufacturing basic Metals	1.1	643	1,683
	Potugal	Qimonda	Electronic Equipment	2.4	839	2,867
	Netherlands	Noord Holland and Zuid Holland	Publishing	2.3	598	3,890
	Netherlands	Noorrd Brabant	Publishing	-	-	-
	Netherlands	Noord Holland and Utrecht	Printing Industry	2.3	720	3,148
	Netherlands	Noord Brabant and Zuid Holland	Printing Industry	2.9	821	3,520
	Netherlands	Limburg	Printing Industry	0.5	129	4,263
	Netherlands	Gelderland and Overijssel	Printing Industry	2	650	3,098
	Netherlands	Drenthe	Printing Industry	0.5	140	3,240
Denmark	Linak	Mech/Electronic	1.2	139	8,730	
<b>Yearly Total</b>				<b>122.3</b>	<b>26,332</b>	<b>4,643</b>

	Member State	Case (company/region)	Industry	EGF amount (€m)	People	€/person
2010	Germany	Nordjylland	Machinery/Equipment	8	951	4,909
	Spain	Cataluna	Automotive	2.8	1,429	1,926
	Spain	Galicia	Textile	1.8	-	3,689
	Poland	Wieklopolskie	Automotive	0.6	590	1,073
	Spain	Valencia	Stone Marble	1.4	300	4,743
	Poland	H. Cegielski-Ponzan	Engines	0.1	189	604
	Austria	Stiermark-Niederosterreich	Basic metals	8.3	356	23,272
	Austria	AT&S	Printed Circuit Boards	1.2	74	16,502
	Spain	V	Textile Sector	2.1	350	5,884
	Czech Rep	Unilever	Retail Sector	0.3	460	404
	Netherlands	NXP Semiconductors	Electronic Equipment	1.8	512	3,534
	Netherlands	Noor Holland ICT	Electronic Equipment	2.6	613	4,172
	Poland	Podkarpackie	Machinery/Equipment	0.5	200	2,268
	Slovenia	Mura	Textile	2.2	2,554	880
	France	Peugot	Automotive	11.9	2,089	4,720
	Spain	Aragon	Retail Sector	1.6	1,154	1,352
	Denmark	Midtjylland Machinery	Machinery/Equipment	3.9	325	12,137
	Germany	Heidelberger Druckmashchinen	Printing Industry	8.3	1,181	7,034
	Ireland	Construction 41	Construction	12.7	3,205	3,959
	Ireland	Contuction 43	Construction	21.7	228	9,724
	Ireland	Construction 71	Construction	1.4	554	2,505
	Germany	LM Glasfiber	Wind Turbines	6.2	825	7,573
	Spain	Lear	Automotive	-	-	-
	Netherlands	ABN Amrobank	Financial Services	-	-	-
	Denmark	Odense Steel Shipyard	Shipbuilding	14.2	950	1,428
	Potugal	Rohde	Shoe Manufactures	1.4	680	2,132
	Netherlands	N Brabant Div 18	Printing Industry	0.7	199	3,356
	Netherlands	Overijssel Dive 18	Printing Industry	0.7	214	3,356
	Netherlands	Z Holland/Utrecht Div 18	Printing Industry	2.6	800	3,311
	Netherlands	N Holland/Flevoland Div 18	Printing Industry	1.8	551	3,356
	Belgium	GM Belgium	Automotive	9.6	2,834	3,385
<b>Yearly Total</b>				<b>132.1</b>	<b>26,867</b>	<b>4,917</b>

	Member State	Case (company/region)	Industry	EGF amount (€m)	People	€/person
2011	Austria	Nider-und Obersosterreich	Transport	3.6	502	7,259
	Italy	Terntino Alto Adige	Construction	3.9	528	7,422
	Germany	Arbsberg-Dusseldorf	Automotive	4.3	778	5,589
	Greece	Aldi Hellas	Retail Sector	2.9	642	4,546
	Portugal	Norte-Centro	Automotive	1.5	726	2,092
	Spain	Valencia	Construction	1.6	720	2,281
	Italy	Lazio	Ceramic Industry	-	-	-
	Denmark	Odense Steel Shipyard	Shipbuilding	6.5	550	11,737
	Netherlands	Gelderland Construction 41	Construction	2.9	500	5,797
	Austria	Austria Tabak	Tobacco Products	4.7	320	14,622
	Austria	Soziale Dienstleistungen	Social Work	6.8	350	19,539
	Netherlands	Noord Brabant and Zuid Holland	Construction	-	-	-
	Denmark	Flextronics	Electronics	1.4	153	8,960
	Romania	Nokia	Mobile phone	2.9	1,416	2,078
	Sweden	AstraZeneca	Pharmaceuticals	4.3	700	6,180
	Italy	Agile	ICT Software	5.4	1,100	4,952
	Spain	Aragon	Construction	1.3	320	4,063
	Spain	Paiz Vasco	Metal Products	1.3	500	2,599
	Spain	Galicia	Metal Products	2.0	450	4,509
	Spain	Valencia	Shoe Manufactures	1.3	876	1,863
	Netherlands	Zalco	Basic metals	1.5	650	2,298
	Spain	Castilla Leon-La Mancha	Wooden doors	1.1	350	3,216
	Italy	Antonio Meloni	Domestic Appliances	5.0	1,517	3,321
Italy	Medcenter Container Terminal	Warehousing and Storage	2.2	747	294	
Italy	Lobardia	Electronic Equipment	1.8	568	3,205	
Italy	Emilia Romagna	Motorcycles	2.7	502	5,296	
<b>Yearly Total</b>				<b>73.6</b>	<b>15,465</b>	<b>4,757</b>

	<b>Member State</b>	<b>Case (company/region)</b>	<b>Industry</b>	<b>EGF amount (€m)</b>	<b>People</b>	<b>€/person</b>
2012	Ireland	Talk Talk	Telecoms Services	2.7	432	6,242
	Germany	Manroland	Printing Machinery	5.4	2,103	2,545
	Denmark	Vestas	Wind Turbines	7.5	720	10,400
	Spain	Andalucia	Automotive	12.5	295	42,496
	Sweden	Saab	Automotive	5.5	1,350	4,040
	Finland	Nokia Salo	Mobile phone	5.3	1,000	4,356
	Italy	VDC Technologies	Domestic Appliances	7.1	1,164	3,557
<b>Yearly Total</b>				<b>43</b>	<b>7,064</b>	<b>6,089</b>
<b>Overall Total</b>				<b>443.3</b>	<b>91,842</b>	<b>4,827</b>