



EUROPEAN COURT OF AUDITORS

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HAS THE EUROPEAN GLOBALISATION
ADJUSTMENT FUND DELIVERED EU ADDED VALUE
IN REINTEGRATING REDUNDANT WORKERS?



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(pursuant to Article 287(4), second subparagraph, TFEU)

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CONTENTS

Paragraph

GLOSSARY

I–V **EXECUTIVE SUMMARY**

1–8 **INTRODUCTION**

9–13 **AUDIT SCOPE AND APPROACH**

14–71 **OBSERVATIONS**

14–24 **NEARLY ALL WORKERS WERE OFFERED PERSONALISED AND WELL-COORDINATED MEASURES**

17–18 SERVICES WERE PERSONALISED

19–21 EGF MEASURES WERE GENERALLY WELL-COORDINATED WITH NATIONAL MEASURES AND THE ESF

22–24 SOME MEMBER STATES PREFERRED THE ESF OVER THE EGF

25–46 **REINTEGRATION INTO EMPLOYMENT OF EGF-SUPPORTED WORKERS CANNOT BE RELIABLY ASSESSED**

29–34 LACK OF REINTEGRATION OBJECTIVES AND SPECIFIC EGF PERFORMANCE DATA

35–46 REINTEGRATION DATA WERE DIFFICULT TO COMPARE

47–59 **ONE THIRD OF EGF FUNDING COMPENSATES NATIONAL WORKERS' INCOME SUPPORT SCHEMES, WITH NO EU ADDED VALUE**

51–53 WORKERS' INCOME SUPPORT MEASURES REPRESENT THE MAJORITY OF THE CO-FUNDED EXPENDITURE FOR HALF OF THE CASES AUDITED

54–56 GLOBALLY, WORKERS' INCOME SUPPORT MEASURES ACCOUNT FOR ONE THIRD OF REFUNDED COSTS

57–59 DIFFERENT EGF CO-FUNDING IN SIMILAR ECONOMIC CIRCUMSTANCES

- 60–71 THE EGF APPROVAL PROCEDURE IS TOO LONG FOR AN EMERGENCY FUND**
- 63–65 THE ASSESSMENT PROCEDURE COULD BE SHORTENED
- 66–67 THE BUDGETARY AND EMPOWERMENT PROCEDURES HAVE A FURTHER IMPACT ON TIMELINESS
- 68–69 THE EGF APPROVAL PROCEDURE IS NOT TIMELY
- 70–71 IN THE END, THE BUDGETARY AUTHORITY APPROVED ALL THE PROJECTS SUBMITTED BY THE COMMISSION
- 72–81 CONCLUSIONS AND RECOMMENDATIONS**
- 73–75 NEARLY ALL ELIGIBLE WORKERS WERE OFFERED PERSONALISED AND WELL-COORDINATED MEASURES**
- 76 REINTEGRATION INTO EMPLOYMENT OF EGF-SUPPORTED WORKERS CANNOT BE RELIABLY ASSESSED**
- 77–79 ONE THIRD OF EGF FUNDING COMPENSATES NATIONAL WORKERS' INCOME SUPPORT SCHEMES, WITH NO EU ADDED VALUE**
- 80–81 THE EGF APPROVAL PROCEDURE IS TOO LONG FOR AN EMERGENCY FUND**

REPLY OF THE COMMISSION

GLOSSARY

DG Budget: Directorate-General for the Budget

DG Employment, Social Affairs and Inclusion: Directorate-General for Employment, Social Affairs and Inclusion

ECA: European Court of Auditors (or 'the Court')

EGF: European Globalisation Adjustment Fund

ESF: European Social Fund

EU added value: The EU added value is the value that an EU action adds to the value that would otherwise have been created by Member States acting alone.

OECD: Organisation for Economic Cooperation and Development; 21 EU Member States are currently members of the OECD.

Workers' income support: Cash expenditure compensating for unemployment. This includes redundancy payments out of public resources as well as pensions to beneficiaries before they reach the 'standard' pensionable age if these payments are made because they are out of work or otherwise for reasons of labour market policy. See 'An interpretative guide to the OECD social expenditure database', OECD, 2007.

EXECUTIVE SUMMARY

I.

The European Globalisation Adjustment Fund (EGF) was established in 2006 to show EU solidarity towards workers affected by mass redundancies. The EGF should facilitate the reintegration into employment of those workers by providing financial contributions for time-limited and coordinated packages of personalised services. Such packages include active labour market measures such as training, aid for self-employment, coaching and outplacement. They also often include income support and other allowances paid to workers.

II.

The European Social Fund (ESF) also supports redundant workers, mainly through lifelong learning programmes. However, whereas the purpose of the ESF is to address long-term structural imbalances, the EGF was designed to address short-term and ad hoc emergency situations.

III.

Until 31 December 2012, EGF aid packages represented 627 million euro for 89 approved Member State applications. The EGF co-finances measures at a rate of 50 % or 65 %, with the balance being provided by the Member State concerned.

IV.

The Court concluded that:

- (a) Nearly all EGF eligible workers were offered personalised and well-coordinated measures.
- (b) Each EGF measure may also be eligible for the ESF and some Member States preferred to use the ESF rather than EGF.
- (c) No quantitative reintegration objectives were set. Moreover, existing data are not adequate to assess the effectiveness of the measures in reintegrating workers into employment.

(d) The EGF delivered EU added value when used to co-finance services for redundant workers or allowances not ordinarily existing under Member States' unemployment benefit systems.

(e) However, in all the audited cases, the Court identified measures to provide workers with income support, which would have been paid by the Member States anyway. Sixteen of the 19 Member States that benefited from the EGF included income support measures in their packages. Globally, income support measures represented 33 % of the costs refunded for all EGF cases.

(f) The EGF approval procedure, requiring the need for an ad hoc budgetary procedure, is very long. This hampers EU solidarity with the redundant workers targeted.

V.

The Court recommends that:

- (a) the Member States and the Commission take the necessary steps to ensure the availability of up-to-date and reliable data in order to monitor the achievement of objectives, as well as to compare the outcome of the various measures;
- (b) the European Parliament, the Council and the Commission consider limiting EU funding to measures likely to provide EU added value, rather than funding already existing national workers' income support schemes;
- (c) the European Parliament, the Council and the Commission consider, as an alternative to the current EGF scheme, the possibility of adapting the ESF framework and its funding allocations in order to support more rapidly workers affected by mass redundancies.

INTRODUCTION

1. The European Globalisation Adjustment Fund (EGF) was established in 2006 to show EU solidarity towards workers affected by mass redundancies. The EGF should facilitate the reintegration into employment of those workers by providing financial contributions for time-limited and coordinated packages of personalised services¹. Such packages include active labour market measures such as training, aid for self-employment, coaching and outplacement. They also often include income support and other allowances paid to workers.
2. The EGF is outside the multiannual financial framework. As a result each application for EGF support submitted by a Member State has to pass a thorough assessment by the Commission and obtain approval from the EU budgetary authority (Council and European Parliament). The Commission shares the management of the EGF with the Member States.
3. Redundant workers can also benefit from the European Social Fund (ESF), mainly through lifelong learning programmes. However, whereas the purpose of the ESF is to address long-term structural imbalances, the EGF was designed to address short-term and ad hoc emergency situations.
4. The EGF supports workers made redundant as a result of major structural changes in world trade patterns due to globalisation (500 dismissals or more² in one or more enterprises in the EU) where those redundancies have a significant adverse impact on the regional or local economy (the 'trade criterion'). In this respect, applicant Member States must demonstrate that the redundancies are linked to a substantial increase of imports into the EU, the rapid decline of the EU market share in a given sector or a delocalisation to third countries.
5. By way of derogation, from 1 May 2009 to 31 December 2011, the EGF was also applicable to workers made redundant as a direct result of the global financial and economic crisis (the 'crisis criterion')³.

¹ Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund (OJ L 406, 30.12.2006, p. 1), as amended by Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 (OJ L 167, 29.6.2009, p. 26) — together the 'EGF regulation'. See Article 3 'Eligible actions'.

² Until 30 May 2009, the threshold was 1 000 redundant workers.

³ Articles 1 and 2 of the EGF regulation. The crisis criterion effectively only applied, under Regulation (EC) No 546/2009, from 18 June 2009 to 31 December 2011.

- 6.** For instance, when the effects of the crisis devastated the Danish shipbuilding industry, there were redundancies as a consequence. In that Member State, the EGF supported redundant workers of the last Danish shipyard (see **Picture 1**). Another example is the German automotive supply industry, which was particularly hit in the regions of Lower Saxony and North Rhine-Westphalia (see **Picture 2**).
- 7.** From 9 March 2007 (date of the first application) to 31 December 2012, total EGF aid approved amounted to 627 million euro (379 million euro from the EU budget and 247 million euro from the Member States) for 89 approved applications⁴ from a maximum yearly budgetary ceiling of 500 million euro during the 2007–13 period. The EGF co-finances measures at a rate of 50 % or 65 %⁵, with the difference coming from the Member State concerned.
- 8.** The EGF is currently scheduled to run until 31 December 2013. The Commission has however proposed continuing with a new EGF regulation until 31 December 2020⁶.

⁴ Until 31 December 2012, Member States introduced 114 applications, out of which 10 were unsuccessful (one was rejected by the Commission and nine withdrawn by the applicant Member State) and 15 were still under the EGF approval procedure.

⁵ Under Articles 1 and 10 of the EGF regulation, the EGF co-financing rate was 65 % for all applications submitted from 1 May 2009 to 31 December 2011. Before and after that period, the co-financing rate was 50 %.

⁶ COM(2011) 608 final of 6 October 2011.

Picture 1



© Lindø Industrial Park A/S.

One of the halls of the former Odense Steel Shipyard, now “Hall East”, a large 12 400 m² production hall with 900-tonne crane capacity in Lindø Industrial Park, Munkebo, Denmark.

Picture 2



© European Court of Auditors.

Workers at the former Karmann production site in Osnabrück.

AUDIT SCOPE AND APPROACH

9. The overall objective of the audit was to assess the contribution made by the EGF, in the form of EU added value, to enabling redundant workers to return to the labour market as soon as possible. The Court examined in particular the following questions.
- Did all affected workers benefit from personalised EGF measures, and were EGF co-financed active labour market measures co-ordinated with other similar measures (i.e. ESF and Member State measures)?
 - Was the EGF effective in terms of labour market reintegration?
 - Is the nature of the EGF measures likely to deliver EU added value?
 - Was the EGF approval procedure implemented in a timely manner?
10. Eight cases in four Member States (two each in Denmark, Germany, Ireland and Lithuania) in which the EGF was deployed were audited on the spot. They amounted to 67 million euro out of 627 million euro (10,7 %) of EGF aid committed until 31 December 2012. The sample of eight cases only comprised implemented cases and reflected the different sizes of EU economies, the diversity of the economic sectors affected and important differences between the EGF intervention criteria (see **Table 1**).

TABLE 1

OVERVIEW OF AUDITED EGF CASES¹

Member State	Case name	Case number	Sector	Criterion	Payment month
Germany	Nokia	EGF/2009/002	Telecommunications	Trade	12/2009
	Karmann	EGF/2009/013	Automotive	Trade	6/2010
Denmark	Danfoss Group	EGF/2009/015	Mechanics	Crisis	11/2010
	Odense Steel Shipyard (I)	EGF/2010/025	Shipbuilding	Crisis	8/2011
Ireland	Dell	EGF/2009/008	Computer appliances	Crisis	3/2010
	SR Technics	EGF/2009/021	Aeronautics	Crisis	12/2010
Lithuania	AB Snaige	EGF/2009/010	Domestic appliances	Crisis	6/2010
	'Construction'	EGF/2009/017	Construction	Crisis	6/2010

¹ All the EGF case names mentioned above were strictly assigned by the Commission. They are featured on the EGF webpage of the Commission's DG Employment, Social Affairs and Inclusion website (<http://ec.europa.eu/social/>), and also in the EGF Statistical Portrait (2007–11) issued publicly by the Commission. If EGF case names refer directly or indirectly to names of undertakings, the reader should not link these undertakings to any statement in this special report or any statement issued by the Court and related to this special report. The undertakings named are neither EGF beneficiaries, nor managers of the EGF cases audited.

Source: European Commission.

- 11.** The audit covered the period from 1 January 2007 to 31 December 2012. The audit was carried out through interviews, the examination of documents held by the Commission and the four audited Member State authorities, and an analysis of the data on reintegration rates. The audit in the Member States also included the organisation of eight focus group meetings at which the various local EGF stakeholders (academics, administrations and social partners) could share their views (see **Picture 3**).
- 12.** In addition to the above, the results of the Commission's mid-term evaluation of the EGF were analysed⁷. The mid-term evaluation report of December 2011 covered the first 15 cases⁸ co-financed by the EGF in eight Member States. One of these (Nokia, Germany) was included in the sample audited on the spot by the Court.
- 13.** Finally, the Court carried out a survey by addressing questionnaires to Member States (Bulgaria, Estonia, Cyprus, Latvia, Luxembourg, Hungary, Slovakia and the United Kingdom) in order to identify the reasons why they did not use the EGF.

⁷ 'Mid-term evaluation of the European Globalisation Adjustment Fund: final report', submitted by GHK to DG Employment, Social Affairs and Inclusion, 2011 (<http://ec.europa.eu/social>).

⁸ BenQ (Germany), Nokia (Germany), Castilla y Leon and Aragon (Spain), Catalonia (Spain), DELPHI (Spain), Perlos (Finland), PSA Suppliers (France), Lombardy (Italy), Piedmont (Italy), Sardinia (Italy), Tuscany (Italy), Alytaus Tekstile (Lithuania), Textiles (Malta), Lisbon-Alentejo (Portugal) and North-Centre (Portugal).

Picture 3



© European Court of Auditors.

Academics and experts at a focus group moderated by two ECA auditors on EGF support for the Lithuanian construction sector.

OBSERVATIONS

NEARLY ALL WORKERS WERE OFFERED PERSONALISED AND WELL-COORDINATED MEASURES

- 14.** In order to demonstrate solidarity with all affected workers, personalised measures should be offered not only to the workers made redundant in the main enterprise affected, but also to those employed by suppliers of that enterprise.
- 15.** In the audited cases nearly all affected workers could benefit from EGF measures. No instances of the intentional exclusion of potential beneficiaries were identified.
- 16.** However in the cases of Karmann and Dell, the Court found that an unknown number of redundant workers formerly employed by the affected enterprises' suppliers were not included in any EGF support measure⁹. The main reasons for non-inclusion lay in the difficulties faced by Member States in assessing which suppliers were affected.

⁹ Some difficulties in reaching redundant workers of affected suppliers had already been identified by the mid-term evaluation. See mid-term evaluation, p. 100.

SERVICES WERE PERSONALISED

- 17.** Services offered to the potential beneficiaries were generally tailored to their needs and therefore most likely to get results. This positive aspect already reported by the mid-term evaluation was confirmed by the Court's assessment of the eight EGF cases audited. Concrete examples of personalised services are provided in **Box 1**.
- 18.** In Ireland, the applications did not always establish the link between personalised services and actual labour market needs. As a result, at this stage, it was not identified whether the measures put forward were best suited to supporting the reintegration of the redundant workers.

EGF MEASURES WERE GENERALLY WELL-COORDINATED WITH NATIONAL MEASURES AND THE ESF

19. In order to maximise the effects of EGF measures, the EGF regulation states that they should always take the form of a coordinated package of personalised services. What is meant is coordination with measures preceding or concomitant to the personalised services co-financed by the EGF¹⁰. Member States should also coordinate their interventions with the Structural Funds¹¹, in particular the ESF.
20. The Court observed that, generally, the Member States effectively coordinated the EGF with ESF and national labour market measures. Existing ESF measures were usually complemented by additional EGF measures specifically designed to address workers' needs.
21. Moreover, for the eight audited cases, the Court did not detect instances of overlap between the different measures, or double funding of individuals.

¹⁰ See Article 5 of the EGF regulation on the coordination information required at the application stage, and Article 6 on complementarity and coordination.

¹¹ Articles 5(3) and 6(2) of Regulation (EC) No 1927/2006.

BOX 1

THREE CASES OF PACKAGES OF PERSONALISED SERVICES IN IRELAND AND DENMARK

In the case of Dell, the Irish authorities provided child care support and distance learning services. County and city enterprise boards delivered special courses for redundant Dell workers ('Start your own business'), as well as mentoring to cope with administrative procedures.

In the case of SR Technics, some courses, such as aeronautics courses with the Irish Aviation Authority, had been specifically designed. Where relevant courses could not be provided specifically for redundant workers, grants were released to allow them to take part in appropriate courses delivered to a larger population (80 % were technical courses or aviation industry-related). For the first time ever in Ireland, the Training and Employment Authority worked together with the Department of Defence and the Department of Education and Skills to set up apprenticeships for civilians.

In Denmark (Odense Steel Shipyard (I)), the EGF facilitated the implementation of high-quality training measures. These measures were of a more long-term and personalised nature and leading to qualifications superior to those which were normally offered to unemployed persons, and the possibility of sectoral reconversion. According to several participants in the focus group organised by the auditors, the personalised services went well beyond the scope of national personalised measures and were perceived as a unique opportunity, as they gave redundant workers ownership of their personal reintegration project.

SOME MEMBER STATES PREFERRED THE ESF OVER THE EGF

- 22.** Although the ESF is not expected to address unforeseeable events, all measures under the EGF regulation may equally be applied under the ESF¹². Whether or not the ESF may co-finance support for workers subject to a mass redundancy caused by an unforeseeable event essentially depends on the national eligibility rules and the content of operational programmes.
- 23.** The Court's survey of Member States having never used the EGF intervention concluded that the following were the main reasons for preferring the ESF over the EGF:
- (a) The higher co-financing rate for the ESF (up to 85 %) than for the EGF (up to 65 %) is a disincentive to apply for the latter. This was stated by six Member States¹³ and had already been recognised by the Commission in 2010¹⁴.
 - (b) The ESF can be implemented more swiftly than the EGF, or national administrations are more familiar with the ESF¹⁵.
 - (c) The lack of EGF pre-financing¹⁶.
 - (d) The length of the procedure for approving EGF applications¹⁷.
- 24.** The more restrictive EGF conditions, in particular the trade criterion, are another reason why the ESF is preferred over the EGF. After a mass redundancy, some Member States may find it easier to redirect ESF funding towards support for redundant workers rather than applying for EGF funding. For instance, the British authorities never requested EGF assistance in spite of having identified 18 cases that might have qualified for such support¹⁸.

¹² Answer given on 19 April 2010 by the Commissioner for Employment and Social Affairs to parliamentary question E-1230/2010.

¹³ Bulgaria, Estonia, Cyprus, Latvia, Hungary and Slovakia. The higher national contribution was seen as a clear impediment to applying for the EGF. Replies to the ECA survey of Member States that have not used EGF funding, October 2012. See also the Issues Paper concerning the permanent changes made in 2009 to Regulation (EC) No 1927/2006, 'Procedural changes', 25 and 26 January 2011.

¹⁴ Answer given on 19 April 2010 by the Commissioner for Employment and Social Affairs to parliamentary question E-1230/2010.

¹⁵ Bulgaria, Cyprus and Hungary.

¹⁶ Bulgaria, Estonia, Cyprus, Latvia, Hungary and Slovakia.

¹⁷ Mentioned by Estonia, Latvia and Hungary. See also the Issues Paper concerning the permanent changes made in 2009 to Regulation (EC) No 1927/2006, 'Procedural changes', 25 and 26 January 2011.

¹⁸ According to the Commission, the United Kingdom ESF has been redirected towards providing training for redundant workers after mass redundancies.

REINTEGRATION INTO EMPLOYMENT OF EGF-SUPPORTED WORKERS CANNOT BE RELIABLY ASSESSED

25. In order to assess the performance of a fund it is necessary to monitor and evaluate its results and impacts and to compare them to other schemes having similar objectives. Taking into account its objective, the EGF's most relevant performance indicator is its capacity to reintegrate redundant workers.
26. The Court verified that the reintegration rates calculated as a percentage of the reintegrated workers out of the affected workers were available for all eight audited cases. **Table 2** shows these percentages for different standard cut-off periods.

TABLE 2

REINTEGRATION RATES FOR THE EIGHT AUDITED CASES

	Nokia		Karmann		Danfoss		Odense		Dell		SR Technics		AB Snaige		'Construction'	
	DE		DE		DK		DK		IE		IE		LT		LT	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Affected workers, of whom:	1 337		2 476		1 021		1 358		2 840		1 135		751		1 612	
Participants in EGF measures	1 305	98 %	1 740	70 %	385	38 %	568	42 %	2 606	92 %	756	67 %	457	61 %	773	48 %
Cumulative reintegration of participants:																
at the end of the EGF	385	30 %	636	37 %	89	23 %	198	35 %	560	21 %	NA	NA	162	35 %	453	59 %
between 3 and 12 months after the end of the EGF	627	48 %	NA	NA	NA	NA	NA	NA	1 272	49 %	334	44 %	159	35 %	410	53 %
12 months after the end of the EGF	NA	NA	1 178	68 %	136	35 %	NA	NA	NA	NA	NA	NA	191	42 %	458	59 %

Notes:

- All data based on Member State data. Reintegration data are not precise.
- Reintegrated participants are either self-employed or employed in the labour market at the time in question.
- NA = Number or percentage of workers not available.

Source: Member States.

- 27.** Whilst reintegration data at the end of the EGF measures were available for all employers except in the case of SR Technics, data were often not available ('NA') for the other cut-off periods shown in **Table 2**. In the case of Odense Steel Shipyard (I), due to the timing of the EGF measures¹⁹, there were no data available about the situation of affected workers after 1 year. A complete overview was possible only for Lithuania. The table shows that the EGF made a certain contribution to the reintegration of redundant workers.
- 28.** In the most successful example ('Construction' case, Lithuania), 59 % of all the redundant workers were reintegrated at the end of the EGF measures. The lowest rate of reintegration at that stage was 21 % of workers immediately reintegrated after the end of the EGF assistance (Dell case, Ireland). Taking the situation 12 months after the end of the EGF measures, the highest reintegration rate reported was 68 % (Karmann case, Germany); however, in only four of the eight cases were any data available at that stage.

LACK OF REINTEGRATION OBJECTIVES AND SPECIFIC EGF PERFORMANCE DATA

- 29.** A multiplicity of factors adversely affected the quality and availability of reintegration data. Firstly, the Member States generally did not set quantitative reintegration objectives. Out of the eight cases audited only one²⁰ included such an element. As a result, it is not possible to assess the measures' effectiveness in terms of achieving their objectives.
- 30.** Secondly, in Germany, Denmark and Ireland, the public or private employment services, when collecting reintegration data, did not systematically differentiate between the EGF, the ESF and other national measures specifically designed for workers affected by mass redundancies.
- 31.** For instance, in Germany, the combination of several ESF and EGF-funded training modules made it difficult to isolate the impact of individual measures, or groups of measures, on reintegration²¹. External factors (overall economic situation, involvement of Volkswagen in the case of Karmann, employment subsidies) also had an important impact on reintegration.

¹⁹ The EGF was applied for on 6 October 2011 and the final report would not be due before 5 March 2014.

²⁰ Odense Steel Shipyard (I) case: This observation was confirmed by the Court's audit of a sample of individual beneficiaries having benefited from the EGF. The objective was that 25 % of the participants should be in employment 6 months after expiry of the EGF measures. That objective was almost met 11 months in advance.

²¹ This observation was confirmed by the audit's analysis of a sample of individual beneficiaries having benefited from the EGF in Germany, as well as by an evaluation of 16 September 2012 commissioned by the managing authority, p. 4; Bundesministerium für Arbeit und Soziales, 'Der Europäische Globalisierungsfonds in Deutschland: Eine Untersuchung und Bewertung seiner Umsetzung und Potenziale', October 2012, pp. 2, 9, 10, 72, 88 (<http://www.bmas.de>).

32. Thirdly, Member State authorities audited generally did not distinguish between the two main kinds of EGF measures:

- (a) active labour market measures such as training, aid for self-employment, coaching and outplacement;
- (b) income support paid to workers.

33. Whilst this significant distinction was absent in Germany, Denmark and Ireland, the Lithuanian managing authority went so far as to provide reintegration data that distinguished between the workers participating in each of the various measures.

34. In addition, there is no specific information allowing the identification of the ESF co-financed projects that could actually have met the EGF intervention criteria. This identification would have been useful in order to make comparisons between the reintegration rates achieved by funds with different budgetary, legal and operational arrangements. In turn, this would have contributed towards measuring the impact of the EGF. The insufficient quality (inaccuracy, incompleteness and inconsistency) of ESF monitoring information available has already been highlighted in previous performance audits by the Court. In particular, the Commission does not have consistent and reliable performance data on EU-supported targets, and its assessment and supervision are currently not oriented towards performance²².

REINTEGRATION DATA WERE DIFFICULT TO COMPARE

35. Comparing reintegration data is a difficult exercise under any circumstances. As stated in the EGF mid-term evaluation, both supply-side (the qualifications of redundant workers) and demand-side (local economic and labour market conditions) factors influenced the reintegration results²³.

36. However, in the context of the EGF an additional element hampered this comparison. This refers to the differences between the timing of the EGF and that of other labour market actions, as those workers in greater need of help were left to the EGF, which is relatively slower to implement (see **Box 2** and paragraph 42).

²² See paragraph 51 of Special Report No 17/2009 concerning vocational training actions for women co-financed by the European Social Fund; paragraphs 63 and 64 of Special Report No 25/2012 'Are tools in place to monitor the effectiveness of European Social Fund spending on older workers?' (<http://eca.europa.eu>).

²³ Mid-term evaluation, pp. 101–102.

- 37.** In particular, given that the ESF and EGF both support the training and reintegration of the unemployed, such a comparison is necessary with respect to sound financial management as it could highlight potential structural problems. The example below (**Box 2**) illustrates this.
- 38.** The above example shows that timeliness is one of the most important criteria when a fund including reintegration objectives aims at some degree of success. The Nokia case also shows that the EGF and ESF both supported the same target group, but for reasons diametrically opposed to the purpose for which each fund was designed. The ESF, a structural fund, alleviated an emergency; the EGF, an emergency fund, supported those whom it was more difficult to reintegrate.
- 39.** In fact the EGF and ESF intervene as complementary funds which provide either long-term strategic help, or act as a one-off time-limited and specific response to a single restructuring emergency.

BOX 2**NOKIA'S TRANSFER COMPANIES — UNEQUAL PERFORMANCE OWING TO DIFFERENCES IN TIMING**

The mobile phone company Nokia closed its Bochum (North Rhine-Westphalia) site on 30 June 2008. Three transfer companies (as they are called under German law) were successively set up to accommodate temporarily redundant workers.

The first transfer company (exclusively supported by ESF funding) was set up in June 2008, 7 months before Germany even applied for the EGF. That company yielded a reintegration rate of 66 %. The third and last transfer company was only set up when EGF funding was applied for, in February 2009; it achieved a reintegration rate of 4,35 %.

The Nokia case speaks volumes — not because ESF funding performed so much better than the EGF, but because the ESF proved quicker to mobilise than the EGF and thus delivered better reintegration results. Indeed, the EGF alone had to cater for persons with more difficult cases and who could not be successfully reintegrated by the previous transfer companies.

GERMANY

- 40.** The managing authority did not consider a comparison between different sets of reintegration data to be feasible. As a result, it neither identified a comparable statistical population group for the group of EGF beneficiaries, nor made a comparison with overall reintegration rates at federal level.

DENMARK

- 41.** Due to missing data, no comparison was possible between the reintegration results of EGF project participants and general reintegration rates outside the audited cases.

IRELAND

- 42.** Surveys conducted by the managing authority concluded that, within the same time frame, the employment rate for redundant workers who did not benefit from the EGF was higher than the employment rate for EGF beneficiaries. The difference in employment rates can be partially explained by the fact that some persons did not finalise training or education pathways.
- 43.** Nonetheless, according to the managing authority, a probable cause of the EGF's lower reintegration rate in Ireland would be differences between the profiles of redundant workers, the most skilled workers finding a job without EGF help.

LITHUANIA

- 44.** EGF reintegration results varied significantly from one EGF project to another, depending on the measures implemented and the target group addressed, which made a straightforward comparison impossible.

THE COMMISSION

45. Monitoring information was only available to the Commission in the form of the EGF final reports, 6 months after the end of the implementation period. However, as a result of the inconsistency and unreliability of the reintegration data (see paragraphs 25 to 44), these reports prevent any reasonable comparison between different EGF cases, or between the measures applied in each case.

46. In particular, the final reports do not provide an in-depth analysis of the nature and the percentage of allowances paid or committed for all the EGF cases approved so far. Furthermore, the Commission's database did not allow the identification and fund allocation of the individual EGF measures nor performance indicators like participation figures or reintegration rates. Also, no information is provided on the individual ESF or national measures having preceded or complemented the EGF ones.

ONE THIRD OF EGF FUNDING COMPENSATES NATIONAL WORKERS' INCOME SUPPORT SCHEMES, WITH NO EU ADDED VALUE

47. The EU added value goes beyond the concept of simple added value. It can be defined as the value that an EU action adds to the value that would otherwise have been created by Member States acting alone. In particular, expenditure from the EU budget must offer clear and visible benefits for the EU and its citizens which, by reason of the scale or effects of the proposed action, are better achieved at Union level²⁴.

48. The Court refers in particular to the OECD definition of active labour market programmes.²⁵ Accordingly, measures aiming at the improvement of the beneficiaries' prospect of finding gainful employment or otherwise increasing their earnings capacity are qualified as active and therefore are considered to meet the conditions for an EU added value. These measures include not only services such as training, aid for self-employment, coaching and outplacement, but also mobility allowances and educational grants, as well as allowances granted in the context of the EGF and not ordinarily existing under the Member State's unemployment benefit system.

²⁴ ECA Opinion No 1/2010 'Improving the financial management of the European Union budget: Risks and challenges' (<http://eca.europa.eu>).

²⁵ Active labour market programmes — contains all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled ('An interpretative guide to the OECD social expenditure database', OECD, 2007, p. 14).

49. By contrast, workers' income support measures, consisting of unemployment benefits and programmes for early retirement, cannot be considered as delivering EU added value. Indeed, workers' income support does not represent an 'active' labour market measure²⁶ and moreover this reduces the share of these measures in the EGF package. In the mid-term evaluation, the Commission had already reported that on average only 26 % of EGF spending consisted of training measures²⁷.
50. As can be seen in **Table 3** below, a common pattern among the eight audited cases is that they included EGF measures to provide income support, which would have been paid by the Member States anyway, irrespective of EGF intervention. The impact of this type of EGF intervention is to compensate part of the cost of the Member States' unemployment benefit system, and there is no added value in such an intervention other than EU additional funding for the Member States.

²⁶ This means all cash expenditure compensating for unemployment. This includes redundancy payments out of public resources as well as pensions to beneficiaries before they reach the 'standard' pensionable age if these payments are made because they are out of work or otherwise for reasons of labour market policy ('An interpretative guide to the OECD social expenditure database', OECD, 2007, p. 15).

²⁷ See mid-term evaluation report, 8 December 2011, p. 42. Produced for the Commission, the mid-term evaluation was based on a sample of 15 cases approved before the 2009 amendment to the EGF regulation came into force.

TABLE 3

BREAKDOWN OF EGF FUNDING BY TYPE OF PERSONALISED MEASURES IN THE EIGHT EGF CASES AUDITED

	Nokia		Karmann		Danfoss		Odense		Dell		SR Technics		AB Snaiage		'Construction'		
	DE		DK		IE		LT										
	Euro	%	Euro	%	Euro	%	Euro	%	Euro	%	Euro	%	Euro	%	Euro	%	
Active measures	Training/retraining	1 926 538	20 %	2 324 115	24 %	2 368 478	31 %	6 877 045	33 %	6 596 330	50 %	2 307 271	52 %	70 283	19 %	96 040	9 %
	Job search assistance and general information	661 139	7 %	1 126 894	12 %	100 256	1 %	1 530 203	7 %	192 412	1 %	24 748	1 %	-	-	-	-
	Employment and recruitment incentives	-	-	-	-	-	-	612 081	3 %	-	-	-	-	17 073	5 %	51 426	5 %
	Supported employment and rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-	136 407	37 %	450 720	43 %
	Entrepreneurship and start-up incentives	22 159	0 %	7 198	0 %	2 488	0 %	1 369 129	7 %	3 283 375	25 %	586 570	13 %	33 963	9 %	322 552	31 %
	Other measures	-	-	-	-	-	-	-	-	218 090	2 %	27 420	1 %	-	-	661	0 %
Income support	7 117 315	73 %	6 076 406	64 %	5 294 117	68 %	10 485 906	50 %	2 940 682	22 %	1 464 435	33 %	109 457	30 %	135 123	13 %	
Total	9 727 151	100 %	9 534 613	100 %	7 765 339	100 %	20 874 364	100 %	13 230 889	100 %	4 410 444	100 %	367 182	100 %	1 056 480	100 %	

Source: ECA, based on available data from DG Employment, Social Affairs and Inclusion and Member State authorities.

WORKERS' INCOME SUPPORT MEASURES REPRESENT THE MAJORITY OF THE CO-FUNDED EXPENDITURE FOR HALF OF THE CASES AUDITED

- 51.** For each of the cases of the audited sample the Court calculated the amounts of EGF funding committed to the different types of measures and in particular to workers' income support (see **Table 3**).
- 52.** In six of the eight cases shown in **Table 3**, the EGF packages included a relatively high proportion of income support. Indeed, in Germany and Denmark, one case in Ireland and one in Lithuania, more than a third of the total value of the respective packages of personalised measures was composed of income support.
- 53.** In the particular cases audited in Germany and Denmark, training measures meant to reskill or upskill redundant workers represented only a third or less of the respective EGF packages. On the other hand, income support measures in the form of unemployment benefits or the equivalent represented 50 % to 73 %. In those cases, moreover, the link between a redundant worker's income support and his/her effective participation in an EGF-funded labour market measure such as training could not systematically be established.

²⁸ See also **Table 4**.

GLOBALLY, WORKERS' INCOME SUPPORT MEASURES ACCOUNT FOR ONE THIRD OF REFUNDED COSTS

- 54.** In the absence of a satisfactory EGF database of cases, the Court examined the Member State application data collected by the Commission for each of the 89 EGF cases for which information was available and relevant. It was found (see **Table 4**) that 33 % of EGF support for workers (thus excluding technical assistance to Member States) was composed of income support measures such as unemployment benefits.
- 55.** Six Member States have been allocated 29 % of the total EGF co-financing and 89 % of all the income support measures approved to date. As well as Germany and Denmark, the six included Austria, Italy, France and Malta²⁸.

56. The Court also notes that the Commission's proposal for the next multi-annual financial framework seeks to limit EGF support in the form of allowances, which include workers' income support, to a maximum of 50 % of any EGF package²⁹.

²⁹ Article 7(1) of COM(2011) 608 final.

TABLE 4

BREAKDOWN OF EGF FUNDING BY TYPE OF PERSONALISED MEASURES AND BY MEMBER STATES

Member State	EGF measures				Total Euro
	Active measures		Income support		
	Euro	%	Euro	%	
Austria	8 234 726	23 %	27 602 090	77 %	35 836 816
Germany	26 038 835	36 %	46 985 923	64 %	73 024 758
Italy	26 736 900	36 %	46 753 250	64 %	73 490 150
France	25 857 836	42 %	35 239 500	58 %	61 097 336
Malta	792 920	62 %	476 942	38 %	1 269 862
Denmark	59 405 375	68 %	27 871 817	32 %	87 277 192
Czech Republic	353 171	74 %	121 292	26 %	474 463
Lithuania	3 273 610	77 %	969 200	23 %	4 242 810
Spain	61 810 966	88 %	8 288 900	12 %	70 099 866
Poland	1 637 795	92 %	137 050	8 %	1 774 845
Ireland	86 027 249	92 %	7 153 436	8 %	93 180 685
Greece	3 956 000	93 %	310 000	7 %	4 266 000
Romania	4 036 200	93 %	310 000	7 %	4 346 200
Sweden	29 242 680	93 %	2 151 000	7 %	31 393 680
Portugal	13 739 582	97 %	464 000	3 %	14 203 582
Finland	3 783 575	98 %	94 500	2 %	3 878 075
Netherlands	35 500 765	100 %	-	-	35 500 765
Belgium	27 864 008	100 %	-	-	27 864 008
Slovenia	3 325 370	100 %	-	-	3 325 370
Total	421 617 563	67 %	204 928 900	33 %	626 546 463

Notes:

—All amounts in euro as of 31 December 2012.

—Rejected and withdrawn cases have been excluded.

Source: ECA, based on Commission data available for 89 approved applications.

DIFFERENT EGF CO-FUNDING IN SIMILAR ECONOMIC CIRCUMSTANCES

- 57.** The Court notes inconsistent outcomes in similar economic circumstances with respect to workers' income support measures in the case of Germany as compared to Austria³⁰, which are the two most intensive users of this kind of EGF support.
- 58.** Germany considered for EGF funding purposes that the duration of the training or qualification measures represents slightly less than half of workers' normal working time³¹. By contrast, Austria considered that similar measures represented 100 % of the normal working time. This is due to the fact that the Austrian short-term allowance scheme provides for a definition of full-time occupation to be as low as 50 % of the normal working time.
- 59.** As a consequence of these different national decisions, EGF co-funding of short-term allowances represented proportionally twice as much in Austrian cases when compared to German cases. The Court notes however that this difference in the EGF funding decision did not ultimately affect the individuals as they received in full the allowances foreseen in the national schemes.

THE EGF APPROVAL PROCEDURE IS TOO LONG FOR AN EMERGENCY FUND

- 60.** In order to maximise its impact the EGF should be able to provide its financial contribution rapidly in order to allow the affected workers to benefit from the funded measures as soon as possible after having been made redundant.
- 61.** After having established the average length of the approval procedure, the Court assessed to what extent it can be made shorter taking into account the different legal provisions and rules to be respected.

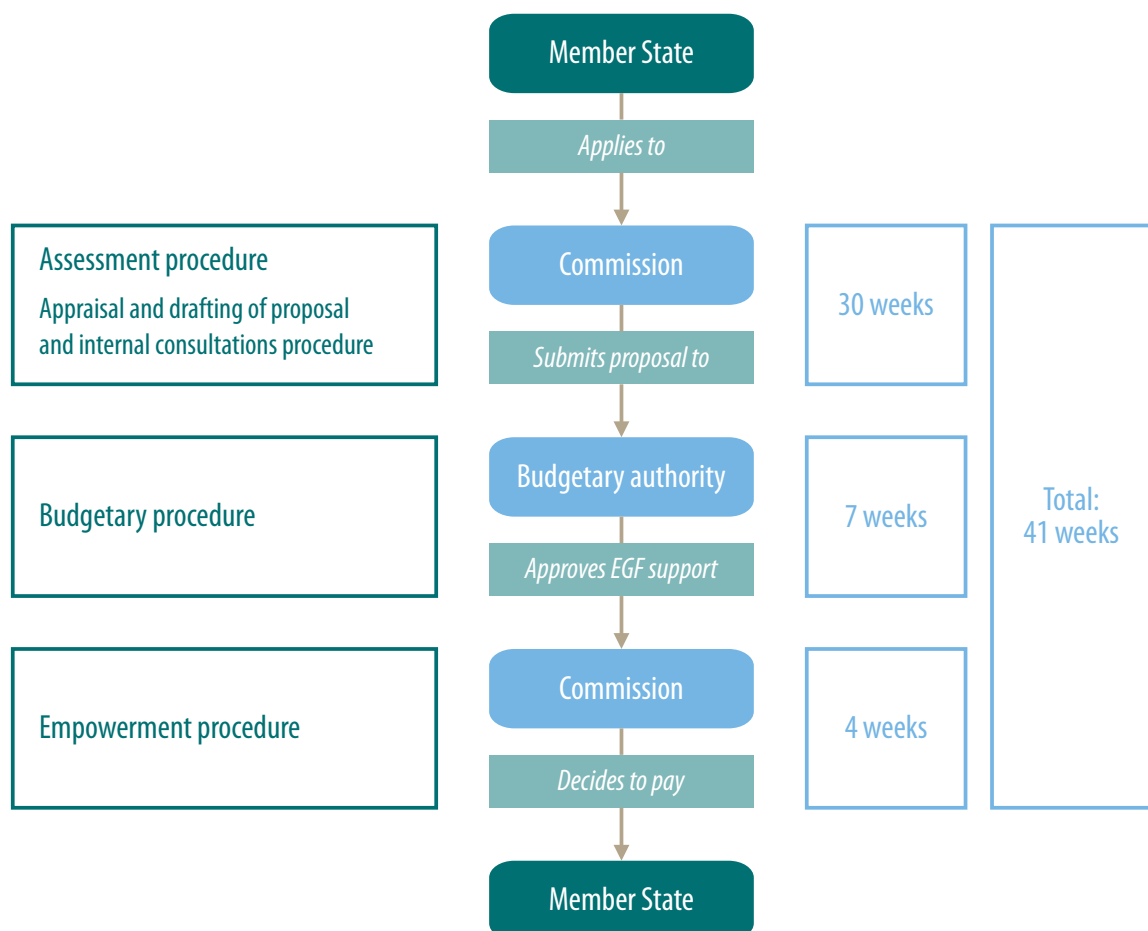
³⁰ Steiermark case.

³¹ This rate was a coefficient calculated on the basis of a telephone survey that was conducted for the Nokia application. The coefficient was subsequently applied to all other EGF cases in Germany.

- 62.** The EGF approval procedure is the process from the moment a Member State officially applies until the Commission and the budgetary authority commit the financial contribution to an EGF case. It can be divided into consecutive stages (called later assessment procedure, budgetary procedure and empowerment procedure), which last together on average **41 weeks**.

GRAPH

SCHEMATISED VIEW OF THE EGF APPROVAL PROCEDURE



THE ASSESSMENT PROCEDURE COULD BE SHORTENED

- 63.** The assessment procedure is composed of the appraisal procedure and the Commission's internal consultation procedures leading to the adoption of the proposal for a decision by the budgetary authority. It takes on average 30 weeks.
- 64.** The appraisal procedure takes on average 15 weeks when taking as a starting point the date of the official application of the Member State, but it is much longer when taking into account the informal exchange of information between the responsible Member State authority and the Commission.
- 65.** One of the factors contributing to the length of the appraisal procedure is the possibility foreseen in the EGF regulation to supplement Member State applications any time after they officially applied. Introducing a time limit to this possibility as well as taking stock of learning curve benefits may reduce the length of time of 15 weeks necessary to appraise applications of Member States which are in emergency situations. The subsequent internal consultations within the Commission also take 15 weeks on average.

THE BUDGETARY AND EMPOWERMENT PROCEDURES HAVE A FURTHER IMPACT ON TIMELINESS

- 66.** As the EGF operates outside of the multiannual financial framework, each EGF case is subject to a specific budgetary procedure in order to make available the related appropriations. In practice, this means that once the Commission has identified sufficient margins and/or cancelled commitments, the decision to deploy them has to be taken by the budgetary authority³². This budgetary procedure requires an additional and incompressible period of approximately 7 weeks.
- 67.** The empowerment procedure then completes the approval procedure, leading to the adoption of the formal decision to pay a financial contribution. Its length, an average of 4 weeks, is closely linked to the provisions of the Commission's rules of procedure³³. Finally, once agreed, the financial contribution is paid to the Member State concerned.

³² Paragraph 28 of the Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management, 2006/C 139/01.

³³ See Articles 13 to 15 of the Commission's Rules of Procedure (C(2000) 3614 of 8 December 2000), as amended by Commission Decision 2010/138/Euratom of 24 February 2010 (OJ L 55, 5.3.2010, p. 60).

THE EGF APPROVAL PROCEDURE IS NOT TIMELY

- 68.** To conclude, the approval procedure is very long, especially considering that the EGF is supposed to be an emergency fund. In the mid-term evaluation report, evaluators already pointed out to the Commission in 2011 that the long EGF approval procedure could be considered too slow to offer a genuinely 'rapid response' mechanism in times of crisis.
- 69.** The length of the entire approval procedure is of an average of 11 weeks longer than for an ordinary financing decision of the Commission.

IN THE END, THE BUDGETARY AUTHORITY APPROVED ALL THE PROJECTS SUBMITTED BY THE COMMISSION

- 70.** The budgetary authority has approved all proposals submitted by the Commission. Only one out of 114 applications has ever been rejected. This is probably due to the Commission's very effective support for Member States during the application stage. Indeed, in all of the eight audited cases the Court found sufficient evidence of effective support for the Member States.
- 71.** Furthermore, not one audited or surveyed Member State authority expressed dissatisfaction with respect to the Commission service responsible for the EGF, but pointed instead to issues concerning the EGF procedure as a whole rather than the quality of support.

CONCLUSIONS AND RECOMMENDATIONS

- 72.** The Court is aware of the need to show EU solidarity towards workers affected by redundancies resulting from changes in world trade patterns. However, the Court is not convinced that all the features of the current EGF mechanism are the most appropriate to deliver specific support with EU added value to redundant workers.

NEARLY ALL ELIGIBLE WORKERS WERE OFFERED PERSONALISED AND WELL-COORDINATED MEASURES

- 73.** Nearly all eligible workers could benefit from personalised EGF measures. However, in some cases redundant workers formerly employed by the suppliers of an affected enterprise were not included in EGF support (paragraphs 14 to 18).

- 74.** In general, EGF support was well coordinated with ESF and national labour market measures, in that existing measures were complemented by additional EGF measures specifically designed to address workers' needs (paragraphs 19 to 21).

- 75.** Whereas the ESF is intended to address long-term structural imbalances, the EGF was designed to address short-term and ad hoc emergency situations. Although the ESF is not expected to address unforeseeable events, all measures under the EGF regulation may equally be applied under the ESF. Some Member States have preferred to deploy the ESF rather than the EGF owing to the higher co-financing rate, quicker implementation and the availability of pre-financing, as well as the lengthy approval procedure and more restrictive conditions under the EGF (paragraphs 22 to 24).

REINTEGRATION INTO EMPLOYMENT OF EGF-SUPPORTED WORKERS CANNOT BE RELIABLY ASSESSED

- 76.** Reintegration data exist but are not sufficiently accurate, consistent or detailed for any conclusions to be drawn. As a result, no useful comparisons or benchmarking could be made between EGF measures within an EGF case, between individual EGF cases and between EGF cases and other active labour market programmes. No quantitative reintegration objectives were set (paragraphs 25 to 46).

RECOMMENDATION 1

In order to improve the quality of the information on the achievements of the different cases and on the effectiveness of measures supporting redundant workers, the Member States and the Commission should take the necessary steps to ensure the availability of up-to-date and reliable data in order to monitor the achievement of objectives, as well as to compare the outcome of the various measures.

ONE THIRD OF EGF FUNDING COMPENSATES NATIONAL WORKERS' INCOME SUPPORT SCHEMES, WITH NO EU ADDED VALUE

- 77.** When used to co-finance services for redundant workers or allowances not ordinarily existing under Member State unemployment benefit systems, the EGF delivered EU added value. This refers in particular to active measures aiming at the improvement of the beneficiaries' prospect of finding gainful employment or otherwise increasing their earnings' capacity such as training, aid for self-employment, coaching and outplacement, mobility allowances and educational grants (paragraphs 47 to 49).
- 78.** However, in all the audited cases the Court identified measures to provide workers with income support which would have been paid by the Member States anyway. Consequently, the Court considers that only training and direct active support measures for redundant workers have an EU added value other than additional funding for the Member States. Sixteen of the 19 Member States which benefited from the EGF included income support measures in their packages. Income support measures represented 33 % of the costs refunded for all EGF cases (paragraphs 50 to 56).
- 79.** The Commission did not sufficiently monitor the weight of workers' support measures (paragraphs 45 to 46). In addition, different Member State decisions may result in different EGF co-funding for similar income support measures (paragraphs 57 to 59).

RECOMMENDATION 2

The European Parliament, the Council and the Commission should consider limiting EU funding to measures likely to provide EU added value, rather than funding already existing national workers' income support schemes.

THE EGF APPROVAL PROCEDURE IS TOO LONG FOR AN EMERGENCY FUND

- 80.** The EGF approval procedure is very long. This has a deterrent effect as regards the use of the EGF and consequently hampers EU solidarity with the redundant workers targeted.
- 81.** In addition, the need for a budgetary procedure adds to the overall length of approval (paragraphs 60 to 69).

RECOMMENDATION 3

The European Parliament, the Council and the Commission should consider, as an alternative to the EGF scheme, the possibility of adapting the ESF framework in order to support more rapidly workers affected by mass redundancies.

This Report was adopted by Chamber II, headed by Mr Harald NOACK, Member of the Court of Auditors, on 10 June 2013.

For the Court of Auditors



Vítor Manuel da SILVA CALDEIRA
President

REPLY OF THE COMMISSION

EXECUTIVE SUMMARY

I.

Since 2006, the EGF has delivered a significant European added value towards workers affected by mass redundancies due to major structural changes in world trade patterns resulting from globalisation. It does so by assisting workers, supporting their reintegration into employment, business start-ups or targeted training actions. Member States acted in accordance with Article 3 of Regulation (EC) No 1927/2006 ('Eligible actions') laying down a variety of eligible measures to be co-financed with EGF assistance.

II.

The EGF and the ESF are complementary policy measures. In line with the principle of subsidiarity, the mix of EGF measures designed at Member State level is largely complementary to mainstream ESF provisions to support transitions back to employment.

IV.

The Commission notes that:

(a)

The identification of all affected enterprises and workers takes considerable time and effort. As a result, and in order to speed up requests, some redundant workers who might have been eligible may not have been included in an EGF application. However, the Commission has not been informed that any affected workers were ever intentionally excluded.

(b)

The decision whether to apply for ESF or EGF funding is made at Member State level, on the condition that the ESF operational programme agreed with the Commission is compatible with such contemplated ESF support. Indeed ESF operational programmes differ from one Member State/region to another.

REPLY OF THE COMMISSION

(c)

Whilst the collection of data can always be improved, the Commission considers that the EGF has struck a reasonable cost-benefit balance between the obligations placed on Member States and the quality and quantity of data provided. The Commission notes that the EGF regulation does not require quantitative reintegration objectives. It is also important to note that the audited Member States respected their reporting obligations as laid down in Article 15 of the EGF regulation.

Common reply to (d) and (e)

The Commission considers that very few results would have been achieved without EGF support. The mid-term evaluation report prepared by independent experts also confirmed this view.

The measures financed by the EGF should be considered as a 'package' of interrelated measures, bringing together personalised targeted actions and the necessary income supports. All together they contribute to the success of the operations funded by the EGF.

Moreover, the EGF never provided stand-alone income support. From a legal perspective, it should be noted that Article 3 of Regulation (EC) No 1927/2006 includes income support, if eligibility requirements are met. It does not impose or exclude any minimum or maximum proportions of allowances.

(f)

The Commission agrees that the current approval process is long and therefore strives to minimise delays where possible whilst ensuring that due process takes place. The fact that the EGF operates outside the multiannual framework unavoidably influences the timeline of procedures.

At present the Commission is actively working to make progress in reducing the time necessary for approval procedures, for example through the development of e-applications or stricter deadlines for both Member States and the Commission in its proposal for the new regulation. However, it is important to note that procedures do not determine the speed at which support for workers arrives, nor does it hamper solidarity.

In fact, the Commission stimulates Member States to take action at the earliest possible stage when mass redundancies arise.

V.

Recommendations:

(a)

The Commission accepts the recommendation to ensure the availability of up-to-date and reliable monitoring data. Necessary steps have been taken with the adoption of the Commission proposal for the EGF for 2014–20. It includes the introduction of an interim report from the Member States in order to ensure that quicker, more up-to-date and reliable data are available. It should be noted however that this element of the Commission proposal was not positively received in the Council. The Commission has made its proposal whilst aiming to ensure a reasonable cost-benefit balance between the obligations placed on Member States and the quality and quantity of data required.

The Commission furthermore observes that national data protection legislation risks hampering the complete implementation of the recommendation.

(b)

The Commission partially accepts the Court recommendation and has proposed for 2014–20 a ceiling on allowances (50 %). This proposal should further improve the efficiency and European added value of EGF measures and ensure a level playing field between Member States.

Furthermore, over the past 6 years, the Commission (and subsequently the budgetary authority) has only approved EGF cases likely to provide added value.

The conclusions of the mid-term evaluation show that this objective was clearly reached.

REPLY OF THE COMMISSION

(c)

The Commission considers that this recommendation has already been implemented, as the option to include the EGF within the ESF for the period 2014–20 was carefully assessed and analysed in the impact assessment and the *ex ante* evaluation for the Commission's proposal for the new EGF regulation. The European Council and the European Parliament have agreed in principle on the continuation of the fund.

The Commission draws attention to the conclusions of the mid-term evaluation report. This report concludes that the EGF has delivered 'significant added value' and 'independent experts concluded that hardly any results would have been achieved without EGF support'.

It should be noted that expenditure under the EGF is by its nature unpredictable whilst the ESF has been established to address medium- to long-term structural problems, which require stable investment strategies. The Commission has therefore considered it better to keep the EGF outside the ESF context, and outside the multiannual financial framework, allowing in turn the financial flexibility the EGF requires.

The decision whether to apply for ESF or EGF funding is made at Member State level (on the condition that the ESF operational programme agreed with the Commission is compatible with such contemplated ESF support).

OBSERVATIONS

16.

The Commission acknowledges that some redundant workers who were eligible may not have been included in EGF applications. However, the Commission has not been informed that any affected workers were ever intentionally excluded. Secondly, identifying all enterprises and persons concerned takes time and effort. Hence, at some stage the Member State may have decided to move ahead with the file, considering the cost (in terms of both finance and time) associated with finding any additional potentially eligible workers to be disproportionate to likely benefits. Furthermore, even when not included, affected workers might have received other forms of assistance.

18.

Based on the submitted final reports of EGF cases in Ireland, the Commission considers that an effort has been made by the Member State to establish the link between personalised services and actual labour market needs.

23. (a)

The observation of the Court only applies to those Member States with higher co-financing rates such as the ones listed by the Court and cannot be deduced as a general rule.

24.

The Commission understands that the United Kingdom never applied for EGF funding because of political reasons rather than due to reasons connected with the EGF itself.

25.

The Commission considers that the EU level is the most appropriate level for dealing with the impact of changes in world trade patterns. In the light of this political view, it follows that EU assistance should be provided to those suffering from the impact of globalisation. Such EGF support has a strong European added value. The question then becomes whether the clear value added is also expressed through effective action. In that respect the Commission underlines that the effectiveness of the EGF can also be assessed by the number of beneficiaries who upgraded their competences and vocational skills, thus improving their employability in the labour market.

REPLY OF THE COMMISSION

27.

Comparisons with international data sources, and in particular with Eurostat data, suggest that integration rates are satisfactory despite the very difficult context. Table 2 shows that, on average, 34 % of all participants in the cases audited by the Court had already been reintegrated by the end of the EGF assistance, almost 46 % between 3 and 12 months after the end of the EGF assistance and over 51 % of persons reintegrated 12 months after the end of the EGF assistance.

The main conclusions of the mid-term evaluation report on the EGF between 2007 and April 2009 indicated an average re-employment rate of 42 % among affected workers immediately after the end of the EGF implementation period across the 15 EGF cases evaluated. This can be considered as a very good result.

Eurostat data on labour transition from unemployment to employment in 2010 show a rate of 28,7 % for the EU. In that light a reintegration rate of 42 % compares favourably.

The reporting requirements for the Member States are those in accordance with Article 15 of the EGF regulation and the relevant financing decisions. They have been complied with by the Member States when providing their final reports of the eight cases audited. All additional data are therefore gathered on a voluntary basis by Member States.

29.

The Commission notes that the EGF regulation does not include quantitative reintegration objectives and recalls that the various EGF measures can also be assessed through other indicators and by other means (such as evaluations). For the period 2014–20, the Commission has proposed a reintegration objective of 50 % after 12 months of implementation.

31.

The Commission underlines that the EGF and ESF are funds supporting complementary policy measures dealing with the labour market consequences of globalisation. In line with the principle of subsidiarity, the mix of EGF measures is designed at Member State level and is often similar to mainstream ESF provisions to support transitions back into employment.

32.

Income support was never provided as a stand-alone measure. In line with the EGF regulation, it was always part of a package combined with active labour market policy measures which achieve the positive effects confirmed by the mid-term evaluation and many final reports of EGF cases.

Member States acted in accordance with Article 3 of Regulation (EC) No 1927/2006 ('Eligible actions') when designing the relevant package of personalised EGF measures. During the implementation period, this package of measures is carried out with EGF assistance. These include general job search assistance, training, job search allowances, training allowances, support for entrepreneurship, geographical mobility and employment subsidies.

34.

The purpose of ESF monitoring data is not to identify tens of thousands of (potential) ESF projects supported through the current 117 ESF operational programmes (2007–13). Instead, the remit of this monitoring is to collect statistics on the implementation of programmes through financial data (broken down by priorities as defined in the ESF regulation) and data on the number of persons supported (including breakdowns by gender, educational attainment, etc.).

As regards the quality of ESF monitoring data, the Commission notes that:

- (a) the quality of indicators is constantly improving;
- (b) the Commission takes action in monitoring Committee meetings when it considers the result indicators are insufficient;
- (c) the Commission checks how actions meet their targets on the basis of all information received and through *ex post* evaluation.

For the period 2014–20, the Commission has proposed mandatory output and result indicators.

36.

The EGF financing is to allow Member States to take actions on the ground after they have spent the amount set aside for co-financing; it does not determine their speed of implementation, nor should it influence the speed with which these actions are initiated.

REPLY OF THE COMMISSION

It is the Member States' responsibility to ensure that the right assistance reaches their unemployed workers as soon as possible. Late adoption of financing decisions for actions that should be (pre-) financed nationally should not be seen as an obstacle to enhancing the speed of implementation.

38.

The EGF and ESF are complementary funds which provide either long-term strategic help or act as a one-off time-limited and specific response to a single restructuring 'emergency'. If the EGF funds come in, for specific reasons valid in this case, later than other support funds, the EGF objective is nevertheless met.

It must be noted that it is up to each Member State to manage the complementarity between the ESF and EGF in the best possible manner given the local conditions prevailing at the time.

43.

In this global context, it should be noted that the Commission cannot be aware at this stage of the possible impact of differences in the overall affected population and their respective employability.

45.

The Commission notes that in general the reintegration data provided in the final reports of Member States is consistent and reliable. When the analysis of the Commission shows discrepancies, immediate action is taken.

The final EGF reports have a predefined standard format, allowing an effective comparison of EGF-supported cases. The (audited) Member States have respected their reporting obligations as laid down in Article 15 of the EGF regulation.

At the same time, the Commission considers that within the EGF, a reasonable cost-benefit balance has been struck when reviewing the obligations placed on Member States in terms of monitoring, reporting and evaluation and the quality and quantity of data provided.

46.

The Commission has carefully examined all final reports and, when necessary, taken further action. All important data are being recorded in the EGF database, allowing the Commission to monitor and report.

Regarding the nature and the percentage of allowances paid or committed for EGF cases, the situation is as follows.

On the basis of applications, the Commission has an expectation as regards the share of allowances in the final total expenditure of a project. Then, upon reception of the final report, the Commission is informed of the actual expenditure.

Both sources are used for the database, allowing the extraction of in-depth information. It should be noted that final reports, by their very nature, become available 6 months after the end of the implementation period. Hence, final data are not yet available for all cases, since for many cases implementation is ongoing.

The Commission is improving the monitoring of all support measures by further developing its database and providing for an interim report to be presented by Member States in its proposal for the EGF regulation for 2014–20.

47.

The Commission considers that the EU level is the most appropriate level for dealing with the impact of changes in world trade patterns. Based on that political view, it follows that EU assistance should be provided to those suffering from the impact of globalisation.

The conclusions of the mid-term evaluation final report (GHK, 2011) indicate that the EGF has delivered 'significant added value'. Furthermore, it also notes that 'independent experts concluded that hardly any results would have been achieved without EGF support'.

48.

The EGF co-finances, on the basis of Article 3, integrated support packages to workers, including allowances in relation to job search and mobility or allowances to individuals in lifelong learning and training activities.

REPLY OF THE COMMISSION

Furthermore, the Eurostat labour market policy database methodology states (in line with the OECD definition) that the unemployment benefits received by participants in labour market policy measures (instead of receiving training allowances, wages or similar) should be included as part of the expenditure for that measure and excluded from the amounts reported as unemployment benefits.

49.

The Commission does not wish to place undue emphasis on training measures, which are only one part of the package of eligible measures put together by the Member States. In addition, there is education, enterprise creation, career advice and counselling, internships, mentoring in a new job, peer group interaction and much more.

50.

The legislator considered it important for the European Union to provide support to workers made redundant when trade shifts or — for a limited period — the global financial and economic crisis have adverse effects on employment. This EU solidarity with the affected workers and the Member States should be considered in a broader context in which there is a visible relation between the EU role in trade negotiations on a global scale or the effects of the global financial and economic crisis and the EU taking its (social) responsibility when this has locally or regionally important adverse effects.

In that context, the Commission considers it important to provide the option of taking on the full cost and to treat all Member States equally. In financing allowances which would otherwise have been paid by a Member State, that Member State can receive the same level of support as a Member State where such allowances do not exist. Not following such a line would have implied treating various Member States differently.

The support provided by the EGF should be considered as a 'package', which is larger and more effective than the sum of its parts. All agreed allowances should be considered as part of this package, and can be judged on the basis of the overall success of each individual worker's package (decision for support) i.e. how many of the targeted workers find new employment.

52.

Article 3 of the EGF regulation does not exclude income support, provided that the support is an integral part of the package which includes, for example, training, mentoring, support for micro-business start-up, etc. Moreover, Article 3 does not impose or exclude any minimum or maximum proportions of allowances.

53.

The Commission does not share the Court's criticism as training and income support should be viewed as a package. The Commission recalls that the current EGF regulation prohibits the co-funding of passive measures.

Common reply to paragraphs 54–56.

The Commission observes that the current EGF regulation prohibits the co-funding of passive measures, but does not place a ceiling on allowances within a package of personalised measures. Such a ceiling has been proposed for the future EGF regulation (2014–20), where it is to be set at 50 %. The reason for the proposed change is to reinforce the efficiency of EGF measures and to level the playing field between Member States.

In addition, as noted for paragraph 46, the Commission does have a database in which relevant data and statistics provided through the submission of cases as well as those provided through the EGF final reports are available.

Common reply to paragraphs 57–59.

The Commission considers that both Member States were treated in a consistent and equal manner.

The EGF is administered in shared management. Therefore, the Commission needs to rely on the information made available by the Member States. It analyses this information and bases its actions on that assessment, and in addition it audits the EGF cases according to its risk assessment criteria.

With regard to the two Member States cited by the Court, Germany provided detailed information about the system of allowances through a study, and as a result self-imposed a limitation on the support for allowances. The Commission, based on its assessment, accepted the outcome of this study. Upon request by the Commission, Austria presented information on its system of allowances. The Commission made the same type of analysis of the information provided by Austria, and had no basis for rejecting it.

REPLY OF THE COMMISSION

Common reply to paragraphs 60–62.

Member States are entitled and encouraged to start implementing their planned measures as soon as they are ready and as early as possible, so that workers do not need to wait for the care to which they are entitled. They should clearly do so before the final approval by the budgetary authority of an application comes through. In other words, the fact that approval takes time should not impact a reasonably fast response 'on the ground'.

Depending on the type of EGF case (Article 2(a) or (b)), Member States have a 4-month or 9-month reference period during which the redundancies occur. This is followed by a 10-week period (Article 5 of the EGF regulation) during which Member States finalise their applications. Member States make contact with the Commission during both of these periods, and often already before the reference period, in cases where a large undertaking has announced future redundancies that could potentially be eligible for EGF assistance.

All these contacts revolve around the application form and the necessary data to complete it. Each EGF case was treated on its own merits, and Member States were given the opportunity to provide further information after having submitted their applications, until the Commission had all the data at its disposal enabling it to argue the eligibility of the case in front of the Council and the European Parliament. The Commission has never yet rejected an EGF application on the grounds of insufficient information having been supplied by the applicant Member State.

65.

The Commission strives to minimise delays where possible whilst ensuring due process takes place.

The time required to adopt an EGF financing decision does not block Member States from taking action.

When considering the length of the appraisal procedure, the Commission has proposed for 2014–20 a deadline for Member States' additional information, and a condition that such additional information should be provided only in exceptional cases. Also, learning curve effects have been visible for some time, allowing a somewhat faster process. All targeted changes together, including e-applications, should allow an important speeding up of the length of the assessment and subsequent adoption of financing decisions.

67.

The major part of the preparation of the financing decision is concurrent with the budgetary procedure, so that only the adoption by empowerment takes place after the decision of the budgetary authority has been signed. The 4 weeks mentioned by the Court include both the adoption of the financing decision by empowerment, and the actual commitment and payment of the contribution.

68.

The Commission refers to its reply under paragraphs 60 to 62.

69.

EGF procedures, for the reasons referred to in paragraphs 65 and 67, exceed the level of complexity associated with ordinary financing decisions of the Commission. As the Court notes (paragraph 66), important parts of the procedure cannot be compressed. The Commission has been striving to speed up the entire approval process and is therefore actively working on further ways by which the overall timeline can be shortened, for example through the development of e-applications or stricter deadlines for both Member States and the Commission in its proposal for the new regulation.

REPLY OF THE COMMISSION

CONCLUSIONS AND RECOMMENDATIONS

72.

The Commission draws attention to the conclusions of the mid-term evaluation report related to added value. This report concludes that the EGF has delivered 'significant added value' and 'independent experts concluded that hardly any results would have been achieved without EGF support'.

73.

The Commission strives, with Member States, to achieve a reasonable balance between a comprehensive coverage and the time necessary to prepare and submit an application. It underlines that the affected workers of the downstream suppliers have never been intentionally excluded. Also, even when not included, they might have received other forms of assistance.

75.

The Commission agrees that the EGF and ESF are mutually complementary policy measures in supporting the transition of redundant workers back into employment and notes that the Court lists seven out of 27 Member States that preferred the ESF over the EGF (paragraphs 23 and 24). The Commission also refers to its reply to Recommendation No 3 of the Court.

76.

The Commission notes that, in general, it has accurate and detailed reintegration data at its disposal for all EGF cases. With regards to the level of detail of such data, in all of the EGF cases audited, the Member States complied with their reporting obligations in accordance with Article 15 of the EGF regulation.

Moreover, the Commission underlines that reintegration objectives were not included in the EGF regulation.

In its proposal for the new EGF regulation for 2014–20, the Commission proposed as an objective to be obtained that 50 % of workers are reintegrated into employment 1 year after the date of application.

Recommendation 1

The Commission accepts the recommendation to ensure the availability of up-to-date and reliable monitoring data. Necessary steps have been initiated with the Commission's proposal for the EGF for 2014–20. It includes the introduction of an interim report from the Member States in order to ensure that quicker, more up-to-date and reliable data are available.

It should be noted however that this element of the Commission proposal was not positively received in the Council. The Commission has made its proposal whilst aiming to ensure a reasonable cost-benefit balance between the obligations placed on Member States and the quality and quantity of data required.

The Commission furthermore observes that national data protection legislation risks hampering the complete implementation of the recommendation.

77.

The Commission treats all Member States equally in respect of their EGF cases. It does not provide more or less support to a Member State depending on how generous a social support system in place is. Treating all Member States equally was considered to be a fundamental aspect of the EGF by the legislator.

Furthermore, an important dimension of the EGF is the link with the negative aspects globalisation may have in this context locally/regionally. The EU dimension provides in that context full support and represents a key added value.

78.

The Commission refers to its replies to paragraphs 48 to 52. The Commission observes that support provided by the EGF should be considered as financing a 'package' of inter-related measures, which as a whole contribute to the success of the funded operations.

Indeed the EGF provides support to workers through various forms of assistance, including allowances to ensure that workers have sufficient income for the duration of the activation measures, and are hence in a position to benefit from the various supported actions such as training.

REPLY OF THE COMMISSION

The EGF regulation does not set conditions or specify a preference for the source of such allowances, nor do evaluations and assessments show any differentiation in terms of effectiveness or performance related to the source or type of allowances for workers while following training courses (or other actions) with a view to finding new employment.

79.

The Commission is improving the monitoring of all support measures by further developing its database and providing for an interim report to be presented by Member States in its proposal for the EGF regulation for 2014–20.

The Commission considers that all Member States are treated in a consistent and equal manner and refers to its reply in paragraphs 57 to 59.

Recommendation 2

The Commission partially accepts the Court recommendation and has proposed for 2014–20 a ceiling on allowances (50 %). This proposal should further improve the efficiency and European added value of EGF measures and ensure a level playing field between Member States.

Furthermore, over the past 6 years, the Commission (and subsequently the budgetary authority) has only approved EGF cases likely to provide added value.

The conclusions of the mid-term evaluation show that this objective was clearly reached.

80.

The Commission agrees that the current approval process is long and therefore strives to minimise delays where possible whilst ensuring that due process takes place. At present the Commission is actively working to make progress in this respect. However, it is important to note that procedures do not determine the speed at which support for workers arrives, nor does it hamper solidarity.

In fact, the Commission stimulates Member States to take action at the earliest possible stage.

It is important to note that each EGF case was treated on its own merits, and Member States were given the opportunity to supplement their applications with further information, until the Commission had all the data at its disposal that would enable it to argue the eligibility of the case in front of the Council and the European Parliament.

As a result of the full process a high success rate of EGF applications could be obtained.

81.

The EGF operates outside the multiannual financial framework (MFF), which requires that each EGF case must be presented individually to the Council and the European Parliament.

Recommendation 3

The Commission considers that this recommendation has already been implemented, as the option to include the EGF within the ESF for the period 2014–20 was carefully assessed and analysed in the impact assessment and the *ex ante* evaluation for the Commission's proposal for the new EGF for 2007–11. The European Council and the European Parliament have agreed in principle on the continuation of the fund.

The Commission draws attention to the conclusions of the mid-term evaluation report. This report concludes that the EGF has delivered 'significant added value' and 'independent experts concluded that hardly any results would have been achieved without EGF support'.

It should be noted that expenditure under the EGF is by its nature unpredictable whilst the ESF has been established to address medium- to long-term structural problems, which require stable investment strategies. The Commission has therefore considered it better to keep the EGF outside the ESF context, and outside the multiannual financial framework, allowing in turn the financial flexibility the EGF requires.

The decision whether to apply for ESF or EGF funding is made at Member State level (on the condition that the ESF operational programme agreed with the Commission is compatible with such contemplated ESF support).

European Court of Auditors

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THE EUROPEAN COURT OF AUDITORS ASSESSED THE CONTRIBUTION MADE BY THE EUROPEAN GLOBALISATION ADJUSTMENT FUND (EGF), IN THE FORM OF EU ADDED VALUE, TO ENABLING REDUNDANT WORKERS TO RETURN TO THE LABOUR MARKET. WHILE NEARLY ALL ELIGIBLE WORKERS WERE OFFERED PERSONALISED MEASURES, IN ALL AUDITED CASES THE COURT IDENTIFIED INCOME SUPPORT MEASURES WHICH WOULD HAVE BEEN PAID BY THE MEMBER STATES ANYWAY. THE AUDIT ALSO CONCLUDED THAT REINTEGRATION DATA WERE INSUFFICIENT AND THAT THE APPROVAL PROCEDURE FOR THE EGF SUPPORT IS TOO LONG.



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