

Policy Department Economic and Scientific Policy

An Impact Study on Relocation, Restructuring and Viability of the European Globalisation Adjustment Fund: The Impact on Employment, Working Conditions and Regional Development

(IP/A/EMPL/FWC/SC/2005–65)

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Abstract

This report provides an analysis of relocation and restructuring in Europe and assesses the viability of the European Globalisation Adjustment Fund (EGF). The study was commissioned by the European Parliament and undertaken by members of the Centre for Employment Relations Innovation and Change, Leeds University Business School, United Kingdom. The study maps the extent of restructuring across Europe, considers the reasons why collective redundancies take place and examines the social and economic effects of redundancy. A range of policy options for the EGF are considered. The report points to the added value of the EGF beyond existing EU funding streams and instruments and beyond the national-level redundancy support mechanisms in place in many Member States. The report points to best practice examples of redundancy support mechanisms in Member States that might inform the operation of the EGF. The report also highlights key lessons that can be drawn from the experience of the Trade Adjustment Assistance Act in the USA, which has inspired the establishment of the EGF and which has operated for the last 40 years.

The study was conducted between July 2006 and January 2007. Some parts of the study were completed before the Employment and Social Affairs Committee considered the Bachelot-Narquin report (A6-0385/2006) on the EGF in October 2006, and before the European Parliament Plenary voted on the EGF in December 2006. The research team presented their initial findings to the Employment and Social Affairs Committee at the European Parliament in Brussels in October 2006, setting out policy scenarios for the EGF and making a number of recommendations about the effective operation of the EGF. These EGF policy scenarios and initial recommendations remain of interest to the European Parliament and have been incorporated into this final report.

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EXECUTIVE SUMMARY

A team from the Centre for Employment Relations Innovation and Change, Leeds University Business School, United Kingdom, was commissioned by the European Parliament to provide an impact study on relocation and restructuring in Europe, the viability of the globalisation adjustment fund (EGF), and the impact of this fund on employment, working conditions and regional development. The team comprised Professor Mark Stuart, Dr Chris Forde, Dr Robert MacKenzie and Dr Emma Wallis.

The study was conducted between July 2006 and January 2007. Some parts of the study were completed before the Employment and Social Affairs Committee considered the Bachelot-Narquin report (A6-0385/2006) on the EGF in October 2006, and before the European Parliament Plenary voted on the EGF in December 2006. The research team presented their initial findings to the Employment and Social Affairs Committee at the European Parliament in Brussels in October 2006, setting out policy scenarios for the EGF and making a number of recommendations about the effective operation of the EGF. These EGF policy scenarios and initial recommendations remain of interest to the European Parliament and have been incorporated into this final report.

Aims of the study

- To map the extent of restructuring and relocation in the European Union and to consider the effects of changes in world trade patterns on restructuring, in order to identify the likely coverage of the EGF.
- To identify the added value of the EGF, through an analysis of existing national-level and European-wide legislation and provisions relating to redundancy and restructuring
- To provide recommendations on the effective operation of the EGF.

Main findings

- Analysis of data from the European Restructuring Monitor reveals that the extent of restructuring increased across the EU over the period 2004 and 2005. In spring 2004, there were a total of 81 129 job losses due to restructuring. By spring 2005, this figure had risen to 21 9412, a rise of 170 per cent over the year. Overall, the figures point to a rising trend of job losses due to restructuring across the EU as a whole.
- Job losses are concentrated in the old EU15 countries, although there is evidence of significant job losses in a number of the new EU accession states. When collective redundancies are calculated per 10 000 workers, it is clear that the effects of restructuring are felt across a wide range of EU countries, including old and new EU countries and small and large countries.
- The main reason why collective redundancies are implemented is due to *internal* restructuring. This reason accounts for between 60 per cent and 77 per cent of all announced job losses in each quarter. The next most common reason is *bankruptcy* and *closure*, typically between 10 and 15 per cent each quarter. This is followed by *offshoring/delocalisation* and *mergers/acquisitions*.

- Much of the scholarly literature on redundancy and restructuring has focused narrowly on the effects of redundancy on the individual worker or firm. There has been relatively little research examining the process and management of redundancy. Studies which have sought to locate the effects of redundancy within a broader social and institutional context have highlighted the important role of labour market institutions in mediating the effects of redundancy. Studies which have examined the process and management of redundancy have pointed to the crucial importance of pre-redundancy period interventions to the achievement of successful transitions to alternative employment, particularly in the period immediately following the announcement of redundancies.
- The report outlines four policy options for the EGF, based on varying eligibility criteria for accessing support, notably whether support will be available in instances of 500+ or 1000+ redundancies, and whether redundancies have to be implemented within 6 months or 12 months. *Assuming an annual EGF budget of €500 million and with interventions costing €10 000 per individual, between 14 and 23 per cent of those potentially eligible for EGF support could receive assistance, depending upon the eligibility criteria.*
- A lower redundancy threshold (of 500+ rather than 1000+ redundancies) and a longer implementation period (of 12 months rather than 6 months) increases the number of smaller EU countries and the number of EU accession countries that could access EGF support.
- The EGF is an important and welcome development that will provide added value by going beyond current national-level support mechanisms covering restructuring in many cases, and by supplementing existing EU instruments on redundancy. There is currently no dedicated EU funding stream financing the provision of active redundancy support measures and which has the flexibility to provide ‘tailor made’ initiatives for *both* pre and post redundancy support measures. *The EGF will therefore add value by providing an EU funding stream designed specifically to deal with rapid economic change.*
- National-level legislation relating to redundancy varies widely in the EU. *In many instances, the EGF will go beyond existing support measures by providing support for workers who are threatened by redundancy, or who have been made redundant, through active measures.*
- Specific examples of good practice in individual Member States with regards to redundancy support point to the importance of: a multiple stakeholder approach and their early involvement in the redundancy process; the vital role that can be played by labour market and state agencies; and the importance of initiatives to facilitate transition being in place both before and after the event of redundancy.
- Case study analysis of restructuring in the European steel industry also provides examples of best practice that might inform the operation of the EGF. Innovative initiatives adopted by social partners in a number of Member States point to the importance of pre-redundancy support to facilitate the re-integration of workers into the labour market following restructuring. Post-redundancy interventions are also identified as crucial with best practice examples showing: the value of a multi-agency approach; the need for tailored and intensive support which goes beyond the provision of ICT training and job search skills; the central role of trade unions in the provision of effective support; and the importance of ongoing interventions, which straddle both the pre-redundancy and post redundancy periods.

- Lessons can also be learnt from the operation of the US Trade Assistance Act (TAA). Analysis of the operation of this fund over the last 40 years highlights: the significant administration costs of running trade adjustment assistance programmes effectively; the tensions between a high administrative burden and the ability of an assistance programme to provide rapid response; the vital importance of effective co-ordination of services and support; the need to co-ordinate funds; and the importance of tracking, monitoring and evaluation.
- The main conclusion of the study is that the EGF is likely to provide significant added value. However, the implementation of the EGF poses considerable challenges. There will need to be effective coordination between the EGF and other EU and national level regulations and instruments to ensure the effectiveness of this fund. Effective monitoring and measurement of the actions funded is also vital to evaluate the success of the EGF. Part of this monitoring might be co-ordinated through the Framework 7 funding programme.

MAIN REPORT

Background

A team from the Centre for Employment Relations Innovation and Change, Leeds University Business School, United Kingdom, was commissioned by the European Parliament to provide an impact study on the viability of the globalisation adjustment fund (EGF) and the impact of this fund on employment, working conditions and regional development. The team comprised Professor Mark Stuart, Dr Chris Forde, Dr Robert MacKenzie and Dr Emma Wallis.

The study was conducted between July 2006 and January 2007. Some parts of the study were completed before the Employment and Social Affairs Committee considered the Bachelot-Narquin report (A6-0385/2006) on the EGF in October 2006, and before the European Parliament Plenary voted on the EGF on 13th December 2006. The research team presented their initial findings to the Employment and Social Affairs Committee at the European Parliament in Brussels in October 2006, setting out policy scenarios for the EGF and making a number of recommendations about the effective operation of the EGF. These EGF policy scenarios and initial recommendations remain of interest to the European Parliament and have been incorporated into this final report.

Aims of the study

- To map the extent of restructuring and relocation in the European Union and to consider the effects of changes in world trade patterns on restructuring, in order to identify the likely coverage of the EGF.
- To identify the added value of the EGF, through an analysis of existing national-level and European-wide legislation and provisions relating to redundancy and restructuring
- To provide recommendations on the effective operation of the EGF, drawing on case study research and analysis of the long-established Trade Assistance Fund in the USA.

The extent of restructuring and the reasons why restructuring takes place in the EU (see Appendix 1 for more detail).

- Analysis of data from the European Restructuring Monitor reveals that the extent of restructuring has increased across the EU over 2004 and 2005. In spring 2004, there were a total of 81 129 job losses due to restructuring. By spring 2005, this figure had risen to 21 9412, a rise of 170 per cent over the year. Overall, the figures point to a rising trend of job losses due to restructuring across the EU as a whole.
- Job losses are concentrated in the old EU15 countries, although there is evidence of significant job losses in a number of the new EU accession states. When collective redundancies are calculated per 10 000 workers, it is clear that the effects of restructuring are felt across a wide range of EU countries, including old and new EU countries and small and large countries.

- The main reason why collective redundancies are implemented is due to internal restructuring. This reason accounts for between 60 per cent and 77 per cent of all announced job losses in each quarter. The next most common reason is bankruptcy and closure, typically between 10 and 15 per cent each quarter. This is followed by offshoring/delocalisation and mergers/acquisitions.

The social and economic consequences of redundancy (see Appendix 2 for more detail).

- Much of the scholarly literature on redundancy and restructuring has narrowly focused on the effects of redundancy on the individual worker or firm. There has been relatively little research examining the process and management of redundancy.
- Studies which have sought to locate the effects of redundancy within a broader social and institutional context have highlighted the important role of labour market institutions in mediating the effects of redundancy. These studies have argued that co-ordinated support, implemented in both the lead up and aftermath of redundancies helped to facilitate successful transitions of displaced workers into alternative forms of employment. Furthermore, post-redundancy responses of displaced workers are shaped by individuals' experiences and social relations within the local community and by their occupational and class identity.
- Studies which have examined the process and management of redundancy have highlighted the importance of the pre-redundancy period to understanding the effects of redundancy and the crucial importance of early interventions to the achievement of successful transitions to alternative employment, particularly in the period immediately following the announcement of redundancies.

The main proposals in the EGF (see Appendix 3 for more detail)

- The EGF aims to provide support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation. (Article 1)
- The original proposal was that the EGF would cover redundancies of 1000 or more in an enterprise, or 1000 workers in a sector in a 6 month period, representing at least 1 per cent of employment in that sector (Article 2). Much debate centred on whether the threshold should be set at 500 or more redundancies or 1000 or more redundancies. There was also been debate over whether support should be available for redundancies implemented over a twelve month period rather than a six month period.
- Support will focus on providing packages of personalised active measures to re-integrate displaced workers into the labour market, including active measures and in-work income supplements for the over-50s (Article 3)
- Member states submit an application for an EGF contribution, detailing the link between redundancies and structural trade patterns and the actions to be funded
- EGF assistance will not replace existing national laws and shall complement actions of Member States (article 6).

Policy options for the EGF (see Appendix 4)

A major point of debate during discussions in the European Parliament was over the threshold level for accessing support, and the time period over which the redundancies should be implemented in order to access funds. Appendix 4 provides a detailed analysis of the effects of different thresholds on the numbers eligible for support, both in individual countries and across the EU. In particular, it looks at the number of workers affected by redundancies involving 500 or more workers and 1000 or more workers, and the number of workers affected by redundancies implemented over 6 months or less and 12 months or less. Figures are calculated for 2003, 2004 and 2005 for all European countries, using data from the European Restructuring Monitor, established by the European Monitoring Centre for Change. The figures are then used to assess the proportions of those made redundant that could receive EGF support, given that the maximum annual EGF budget will be 500 million Euros and that the EGF does not form part of the financial perspectives. Four policy options are presented, on the basis of different threshold levels, and assuming an annual EGF budget of 500 million Euros and intervention support per individual of 10 000 Euros (in other words, allowing support for 50 000 workers in each scenario).

The analysis draws on data from the European Restructuring Monitor. As Appendix 4 points out, the ERM data are based on restructuring announcements in the press, which are likely to be reported to a greater or lesser extent in different member countries. The ERM statistics may not capture all restructuring announcements and therefore caution should be exercised when interpreting figures. Furthermore, data from the ERM do not specify systematically whether or not redundancies are due to changes in world trade patterns. In addition, the data in Appendix 4 only consider redundancies in companies, but do not take into account up- and downstream effects. With additional upstream and downstream effects, a much lower threshold of redundancies could make a case eligible for EGF support (under criterion 2a). The analysis owes:

- There has been 37 per cent increase between 2003 and 2005 in the number of workers affected by redundancy announcements involving 1000 or more workers. The number of companies implementing redundancies of 1000 or more workers has also risen over the period, from 87 companies in 2003 to 101 in 2005.
- The number of countries in which companies announcing redundancies of 1000 or more workers are located has risen over the period, from 12 in 2003 to 16 in 2005. These job losses are concentrated in the UK, France and Germany, although in 2004 and 2005 there have also been large job losses in a number of the new EU countries, notably Poland and the accession country of Romania.
- One policy option is therefore:

Set the EGF threshold at 1000 or more redundancies.

With an annual EGF budget of €500 million and with interventions costing €10000 per individual, 18 per cent of the 272546 workers potentially eligible for EGF assistance could receive support

- Reducing the EGF threshold to 500 or more workers extends the potential number of those eligible for support. With a lower threshold, more countries would be eligible for support from the EGF. Importantly, reducing the threshold has a significant impact on the number of workers eligible for the EGF in the smaller countries, where small and medium sized enterprises are likely to be more dominant. The lower threshold also extends the coverage of the EGF to more of the new accession countries.

- A second policy option is therefore:

Set the EGF threshold at 500 or more redundancies.

With an annual EGF budget of €500 million and with interventions costing €10000 per individual, 14 per cent of the 350330 workers potentially eligible for assistance could receive support

- Many redundancies are implemented over a much longer time period than 6 or 12 months. The 12 month layoff period increases the numbers eligible for EGF support, and encompasses more workers from smaller countries and the EU accession countries. There is therefore a case for setting the layoff period for accessing support at 12 months rather than six months.

- A third policy option to consider is:

Set the EGF threshold at 500 or more redundancies implemented within a six-month period.

With an annual EGF budget of €500 million and with interventions costing €10000 per individual, 23 per cent of the 213365 workers potentially eligible for assistance could receive support

- Increasing the layoff period to include redundancies taking place over 12 months increases the numbers of workers eligible for support in the smaller countries and EU accession countries.

- A fourth policy option is therefore:

Set the EGF threshold at 500 or more redundancies implemented within a 12 month period

With an annual EGF budget of €500 million and with interventions costing €10 000 per individual, 19 per cent of the 26 0967 workers potentially eligible for assistance could receive support.

To summarise these policy options:

	Number of workers potentially eligible for EGF support in 2005	Proportion of these workers that could be supported at €10000 Euros per individual (assuming annual budget of €500m)
1000+ threshold, no limit on layoff length	27 2546	18%
500+ threshold, no limit on layoff length	35 0330	14%
500+ threshold, 6 month layoff limit	21 3365	23%
500+ threshold, 12 month layoff limit	26 0967	19%

The added value of the EGF

- The EGF is an important and welcome development that will provide added value by going beyond current national-level support mechanisms covering restructuring and by supplementing existing EU instruments on redundancy.
- Appendix 5 provides an analysis of existing EU funding streams which, directly or indirectly, have the capacity to finance redundancy support. There is currently no dedicated EU funding stream financing the provision of active redundancy support measures to respond to rapid restructuring. There is also no instrument that has the flexibility to provide ‘tailor made’ initiatives for *both* pre and post redundancy support measures. Under the provisions of the European Regional Development Fund, areas sustaining significant collective redundancies are not able to attract funding as a matter of course. The European Social Funds could be utilized to provide redundancy support within the framework of active labour market policies, but such initiatives are in competition with other European Social Fund themes, such as educational and vocational training, employment aids for self-employment, modernization of employment services, and the development of the link between work, education and research. Most significantly, the medium term focus of both the ERDF and ESF programmes (seven years) lacks the flexibility to respond to increasingly rapid economic and structural change. There are adjustments made annually to the ESF and ERDF, but these adjustments are within the overall budget. The revisions of these programmes are designed to ensure a fit with broader EU goals. They do not have the flexibility to respond in a rapid manner to an act of restructuring and redundancy in a specific economy. It may be that these funds can work with and complement the EGF. The EGF provides a rapid response and immediate support which can then be further supported in a longitudinal manner by other funds. *The EGF will therefore add value by providing an EU funding stream designed specifically to deal with rapid economic change.*

- Appendix 6 outlines EU-level and country-specific regulations pertaining to collective redundancy. It shows that the EU Collective Dismissals Regulations have established minimal levels of consultation and notification periods for collective redundancies. However, national-level legislation relating to redundancy varies widely in the EU. Key differences across countries across the following dimensions: the definition of collective redundancy; the notice period provided to redundant workers; the involvement of labour market and state agencies in the redundancy process; the extent of consultation with employee representatives; action prior to redundancy; the provision of retraining opportunities; and compensation arrangements for redundant workers. *The EGF will in many cases go beyond existing support measures by providing a source support for workers who are threatened by redundancy, or who have been made redundant, through active measures. For example, only 6 EU countries currently have formal provisions in place through national level legislation providing support for retraining of workers affected by collective redundancies.*

The effective operation of the EGF.

Appendix 6 also highlights a number of specific examples of good practice in individual Member States. This Appendix points to the importance of:

- A multiple stakeholder approach and their early involvement in the redundancy process. This includes meaningful consultation with employee representatives - both at an early stage and on an ongoing basis.
- Examples of good practice also suggest a vital role can be played by labour market and state agencies.
- Initiatives to facilitate transition must be in place both before and after the event of redundancy. These may include: time off prior to redundancy to facilitate transition through job search, retraining and access to support services; financial support for retraining before and after redundancy.
- Appendix 7 presents an analysis of the practice of restructuring and redundancy through a case study of the European steel industry. This provides examples of best practice that might inform the operation of the EGF. This analysis shows that the effects of redundancy were more acute when consultation arrangements over restructuring were weak. Innovative initiatives adopted by social partners in a number of Member States point to the importance of pre-redundancy support to facilitate the re-integration of workers into the labour market following restructuring. These initiatives include:
 - Basic training programmes co-ordinated by trade unions and management in Netherlands, tailored specifically to the learning needs of low-skilled workers, many of whom were aged 45 and over. This utilised the educational approach of learning by doing and was geared towards solving practical workplace problems
 - Union Learning Representatives in a Scunthorpe steel plant in the UK who have developed an on-site learning centre, and a bipartite Learning Partnership Committee which promotes lifelong learning, the development of individual development plans and the support of management for the work of ULR's.

- A regional approach to deal with restructuring in German steel plants. Anticipating future job cuts in the steel industry, managers, unions and training providers in Baden Württemberg established a training programme in 2001 directed towards lower qualified workers. The training is based on a learning network programme and includes both formal instruction and work-based learning, resulting in formal accreditation of their skills.
- Post-redundancy support plays an equally important role in facilitating the reintegration of workers into the labour market. Good practice examples from the steel industry case study in Appendix 7 point to the importance of:
 - The value of a multi-agency approach to dealing with restructuring
 - The need for tailored and intensive support which goes beyond the provision of ICT training and job search skills
 - The central role of trade unions in the provision of effective support
 - The importance of ongoing interventions, which straddle both the pre-redundancy and post redundancy periods
- Further lessons for the effective operation of the EGF can be taken from the analysis of the operation of the US Trade Assistance Act (TAA), reported in more detail in Appendix 8. This fund has inspired the proposal for a European Globalisation adjustment fund. Analysis of the operation and the effects of the TAA reveal:
 - *The significant administration costs of running trade adjustment assistance programmes effectively.* This is an issue that should not be overlooked. The projected budget for the EGF is relatively small and it is not clear how that will 'travel' to the national level. TAA evidence shows that the budget allocated for administration does have an impact on the services provided to workers. What is clear is that services need to be effectively supported too
 - *The tensions between a high administrative burden and the ability of an assistance programme to provide rapid response.* It is essential to get workers into support services and retraining as soon as possible, but equally they need the time to decide upon the most appropriate course of action rather than taking on board the first training opportunity that is available, which may not be suited to their needs. The analysis of the TAA shows that there are genuine problems with processing large cases of layoffs. The focus of the EGF on these large cases poses challenges for the effective design of rapid responses to restructuring.
 - *The vital importance of effective co-ordination of services and support.* The TAA analysis reveals the need for both vertical co-ordination (from the nation state to the local) and horizontal co-ordination (between different agencies on the ground).
 - *The need to co-ordinate funds.* Analysis of the TAA shows that localities could not simply rely on TAA funding. This, in itself, was not enough to ensure successful interventions. Globalisation adjustment funds should be used as one new and vitally important funding option that can add value to a much broader strategy of local economic adjustment. This shows the vital importance of co-coordinating 'rapid response' EGF support with longer-term funding streams such as the ESF and ERDF.

- *The importance of tracking, monitoring and evaluation.* It is vital to be able to evaluate whether the EGF is a success, yet the method of evaluation poses considerable challenges. The TAA case shows the importance of a longitudinal impact assessment in order to effectively evaluate the success of interventions on the reintegration of displaced workers in the labour market.
- The main conclusion of the study is that the EGF is likely to provide significant added value, providing a dedicated funding stream to be mobilised in the event of rapid restructuring. In many Member States the EGF will extend the support currently available for active measures in the event of large-scale redundancies.
- However, the implementation of the EGF poses considerable challenges. There will need to be effective coordination between the EGF and other EU and national level regulations and instruments to ensure the effectiveness of this fund. Effective monitoring and measurement of the actions funded by the EGF and of the extent to which these actions facilitate the reintegration of workers into the labour market is also vital to the success, and the legitimacy, of this fund. Part of this monitoring might be coordinated through the Framework 7 funding stream.

APPENDIX 1: THE EXTENT OF RESTRUCTURING IN EUROPE AND THE REASONS FOR UNDERTAKING RESTRUCTURING

1.1 Introduction

This Appendix presents an analysis of the extent of restructuring across Europe and considers why companies undertake restructuring. Job losses that occur as a result of restructuring and relocation are widely referred to across Europe as ‘collective redundancies’, although the definition of this term varies widely from country to country. An analysis of recent trends in restructuring and relocation, using data from the European Restructuring Monitor Quarterly Bulletin, points to a sharp rise in collective redundancies since 2004. Many of these jobs have been replaced by the creation of new jobs, although in all 8 quarters in 2004 and 2005, there was an overall net loss in jobs across Europe as a result of the restructuring decisions of firms. Job losses were concentrated in the old EU15, particularly in the UK, Germany and France; although the data reveal that collective redundancies are severe across a wide range of European countries. Some of the newer EU countries, such as Poland and Romania, have experienced large numbers of collective redundancies since 2004. Furthermore, when collective redundancies per 10000 workers in EU countries are calculated, the severe effects of redundancy in some of the smaller EU countries, such as Finland, Lithuania and Estonia, are revealed.

The chapter also examines the reasons for implementing collective redundancies, using data from the European Restructuring Monitor Quarterly Bulletin. By far the most common reason for implementing collective redundancies is internal restructuring. The other main reasons for implementing collective redundancies are bankruptcy/closure, offshoring/relocation and mergers/acquisitions.

1.2 The extent of restructuring across Europe

In Europe, the recently established European Restructuring Monitor Quarterly charts patterns of redundancies across Europe due to restructuring. These allow for the mapping of the extent of quarterly job losses (and job gains) due to restructuring across Europe between 2004 and 2005 (the most recently available data). These figures are charted in Table 1.1. Table 1.1 also lists the four EU countries most severely affected by job losses due to restructuring each quarter, in terms of the volume of job losses and the number of job losses per 10 000 workers. In spring 2004, for example, there were 156 cases of restructuring resulting in job losses across Europe. These led to 81 129 collective redundancies. During the same period, there were 13 965 job gains resulting from restructuring. Overall, then, there were net job losses of 67 164 due to restructuring in spring 2004. The countries experiencing the heaviest job losses in spring 2004 were the UK (26 000 job losses) followed by France (24 000), Germany (11 000) and the Netherlands (4 000). The countries experiencing the highest number of job losses per 10 000 workers were France, the UK, Finland and Portugal.

There are five main observations that can be drawn from Table 1.1. First, the extent of job losses due to restructuring has risen sharply across the EU from 2004 to 2005. In spring 2004, there were a total of 81 129 job losses due to restructuring. By spring 2005, this figure had risen to 219 412, a rise of over 170 per cent in a year. Overall, the figures point to a rising trend of job losses due to restructuring across the EU as a whole.

Secondly, there have been some compensating job gains due to restructuring in EU countries. Recorded job gains due to restructuring have increased markedly between 2004 and 2005. In winter 2004, for example, there were 39 330 new jobs created across Europe due to restructuring. By winter 2005, this had increased to 79 219. The job gains due to restructuring across Europe have been lower than the job losses in each of the 8 quarters in 2004 and 2005. Net job losses were particularly high during 2004 and reached a peak in spring 2005 of 156 000, before falling for the remainder of 2005.

Thirdly, the figures show that restructuring is associated with large numbers of job losses within individual countries. In winter 2005, for example, there were 215 reported cases of companies announcing job losses due to restructuring, resulting in 101 698 job losses. This equates to an average of 473 job losses in each announced redundancy. In many cases, the number of job losses in individual cases of restructuring ran into many thousands. In summer 2005, for example, the Romanian Ministry of National Defence announced job losses of 10 000 jobs, whilst Marconi announced 3 000 possible job losses in plants in the UK. Such large-scale redundancies are the focus of the proposed European Globalisation Adjustment Fund and are examined in detail in Appendix 4.

Fourthly, the figures show that a large proportion of job losses are concentrated in the old EU 15 countries. France, the UK and Germany are the most commonly occurring countries in the list of those most severely affected by absolute numbers of job losses each quarter. It is likely that some of the job losses in these countries have been compensated by job creation in other regions of the EU, although it may also be the case that restructuring amongst companies within the EU may have led to job gains in countries outside the EU. Precise figures on these shifts in jobs within and outside the EU are not available from the European restructuring Monitor data. However, the data also reveal that there is also a high incidence of job losses due to restructuring in a number of the new EU countries, notably in Poland, Romania, Hungary and the Czech Republic.

Finally, the figures on the number of job losses per 10 000 workers reveal that the impact of job losses due to restructuring is severe across a wide range of EU countries. These figures take account of the different size of EU countries. The impact of 1 000 redundancies may be much more severe in a small country such as Lithuania, as compared to one of the larger EU countries, such as Germany. By this alternative measure, there is a much wider variation in the EU countries affected by redundancies each quarter. These include many of the smaller EU countries, such as the Czech Republic, Estonia, Lithuania and Finland.

1.3 The reasons for restructuring

Why does restructuring resulting in job losses occur? A range of factors may lead a company to implement collective redundancies, including bankruptcy, closure, mergers, offshoring, outsourcing or internal restructuring. The European Restructuring Monitor Quarterly gathers data on the main reason for restructuring for each company announcing redundancies. These reasons are defined as follows (see EMCC, 2007 for more detail):

- *Relocation*: ‘An activity which stays within the same company, but which is relocated to another location within the same country’.
- *Outsourcing*: ‘An activity that is subcontracted to another company within the same country’.

- *Offshoring/delocalisation*: ‘An activity which is relocated or outsourced outside of the country's borders’.
- *Bankruptcy/Closure*: ‘When a plant is closed or a company goes bankrupt for economic reasons not directly connected to relocation or outsourcing’.
- *Merger/Acquisition*: ‘When two companies merge or during an acquisition which then involves an internal restructuring programme aimed at rationalising organisation by cutting personnel’.
- *Internal restructuring*: ‘When the company undertakes a job-cutting plan, which is not linked to another type of restructuring defined above’.
- *Other*: ‘When a company undergoes a type of restructuring that is none of the above’.

Table 1.2 presents figures on the main reasons for restructuring resulting in job losses in the EU in each quarter in 2006. These show that the most common reason for collective redundancies is internal restructuring, accounting for between 60 per cent and 77 per cent of all announced job losses in each quarter. The next most common reason is bankruptcy and closure, typically between 10 and 15 per cent each quarter. This is followed by offshoring/delocalisation and mergers/acquisitions.

1.4 Conclusion

The extent of restructuring resulting in job losses has increased over recent years across the EU. Whilst many of the job losses have been concentrated in the old EU countries, there is evidence of substantial collective redundancies in a number of the new EU countries. Furthermore, when considered in terms of job losses per 10 000 workers, it is clear that the impact of collective redundancies has been felt across a wide range of EU countries. The most common reason for collective redundancies is internal restructuring, followed by bankruptcy and closure.

Table 1.1: The extent of restructuring and collective redundancies across the EU, 2004-2005

	Spring 2004	Summer 2004	Autumn 2004	Winter 2004	Spring 2005	Summer 2005	Autumn 2005	Winter 2005
Cases of restructuring resulting in job losses	156	163	137	235	238	294	242	215
Total number of job losses	81129	57959	56432	161009	219412	142162	102106	101698
Total number of job gains in same period	13965	16373	8130	39330	63412	117734	96081	79219
Net job losses	67164	41586	48302	121679	156000	24428	6025	22479
Countries most severely affected by absolute numbers of job losses (figures rounded to nearest 1000)								
1	UK (26000)	UK (19000)	UK (18000)	Poland (50000)	UK (135000)	Romania (52000)	Germany (35000)	Germany (22000)
2	France (24000)	France (7000)	Germany (11000)	Germany (47000)	Germany (20000)	UK (27000)	UK (20000)	UK (20000)
3	Germany (11000)	Germany (6000)	Poland (5000)	UK (23000)	France (19000)	Germany (25000)	Romania (8000)	Romania (16000)

	Spring 2004	Summer 2004	Autumn 2004	Winter 2004	Spring 2005	Summer 2005	Autumn 2005	Winter 2005
4	Netherlands (4000)	Netherlands (4000)	Italy (5000)	France (8000)	Czech Republic (11000)	Poland (11000)	Sweden (6000)	France (14000)
Countries most severely affected by job losses per 10000 workers in the population								
1	France (10.1)	Luxembourg (53.2)	Ireland (16.4)	Poland (35.9)	UK (47.6)	Romania (34.8)	Slovakia (28.4)	Slovakia (26)
2	UK (9.4)	Slovakia (7.3)	UK (6.3)	Germany (13.2)	Czech Republic (22.7)	Hungary (16.9)	Sweden (16.8)	Romania (17.5)
3	Finland (7.25)	UK (6.8)	Slovakia (5.4)	UK (8.7)	Netherlands (12.9)	Finland (10.7)	Finland (11.8)	Estonia (7.5)
4	Portugal (5.4)	Austria (5.7)	Netherlan ds (4.9)	Slovakia (8.6)	Denmark (11.4)	Sweden (10.1)	Lithuania (10.3)	Lithuania (7.4)

Source: European Restructuring Monitor Quarterly, various issues. Absolute figures for job losses have been rounded to the nearest thousand.

Table 1.2 The reasons for restructuring resulting in job losses in Europe, 2006

	Spring 2006	Summer 2006	Autumn 2006	Winter 2006
Internal restructuring	94813 (71%)	128365 (77%)	61032 (70%)	57007 (60%)
Bankruptcy/closure	22278 (17%)	18156 (11%)	10067 (12%)	13510 (14%)
Offshoring/delocalisation	5045 (4%)	12215 (7%)	7937 (9%)	8468 (9%)
Merger/acquisition	6857 (5%)	5100 (3%)	5450 (6%)	11462 (12%)
Relocation	4350 (3%)	1048 (1%)	1879 (2%)	1524 (2%)
Outsourcing	145 (0.1%)	1180 (1%)	1443 (2%)	900 (1%)
Other	150 (0.1%)	0	0	2790 (3%)
Total	133638	166334	87808	95661

Source: European Restructuring Monitor Quarterly, various quarters

The table reports the number of job losses for this reason each quarter, and each figure as a proportion of the total number of job losses each quarter

APPENDIX 2: THE ECONOMIC AND SOCIAL CONSEQUENCES OF RESTRUCTURING

2.1 Introduction

This appendix looks at the literature on redundancy and restructuring. It argues that much of the literature in this area has narrowly focused on the effects of redundancy on the individual worker or firm. There has been relatively little research examining the process and management of redundancy. Studies which have sought to locate the effects of redundancy within a broader social and institutional context have highlighted the important role of labour market institutions in mediating the effects of redundancy. These studies have argued that co-ordinated support, implemented in both the lead up and aftermath of redundancies, helped to facilitate successful transitions of displaced workers into alternative forms of employment. Furthermore, post-redundancy responses of displaced workers are shaped by individuals' experiences and social relations within the local community and by their occupational and class identity. Studies which have examined the process and management of redundancy have highlighted the crucial importance of early interventions to the achievement of successful transitions to alternative employment, particularly in the period immediately following the announcement of redundancies. Section 2.2 reviews some of the main debates in the literature on redundancy. Section 2.3 considers the psychological literature on the effects of redundancy and those contributions that have sought to examine the effects of redundancy within a broader social and economic context. Section 2.4 considers a number of studies that have sought to examine the process of redundancy, and points to the main findings of these studies. Section 2.5 concludes.

2.2 The literature on redundancy and restructuring

In the mid-to-late 1990s, symposiums in the US and the UK devoted to the issue of redundancy and restructuring (or 'downsizing', the term that is more commonly used in the US) bemoaned the state of research in this field. Cameron's introduction to the special edition of the leading American journal *Human Resource Management* in 1994 argued that 'the literature reporting systematic, empirical investigations of the multiple causes, consequences and dynamics of downsizing is paltry – downsizing is probably the most pervasive, yet understudied phenomenon, in the business world' (Cameron, 1994: 183). For others, the problem was not a lack of research, but its direction, with a special edition of *Personnel Review* in 1998 reiterating long-standing concerns that the literature in this area was dominated by descriptive and prescriptive studies and driven by managerial and practitioner agendas (Thornhill and Saunders, 1998).

Common to these symposiums, and a number of other contributions, were two concerns. First, many felt that the literature on restructuring and redundancy had focused narrowly on the effects of job loss on the individual worker or individual organisation. The literature had centred on: the physical and psychological effects of redundancy on individuals; the relative experiences of 'victims', 'survivors' and 'executioners' of redundancy programmes; and the 'coping strategies' used by these groups to respond to redundancy (see for example, Devine *et al.*, 2003; Paulsen *et al.*, 2005). Common to most of these studies was an emphasis on either the individual worker or organisation. The relative merits of different 'coping strategies' used by individuals to deal with redundancy and their effectiveness in facilitating transitions to alternative employment were considered without reference to the broader institutional and societal framework in which such strategies are undertaken.

The differing experiences of 'victims' and 'survivors' of redundancy were considered in terms of how they impact upon organisational performance following the implementation of layoffs, and as a means of identifying how managers might best motivate 'survivors' in the aftermath of redundancy decisions (see for example, Paulsen et al, 2005; Cameron, 1994). Implicit in these studies was an assumption that the effects of redundancy are felt by the individual worker or organisation and are best conceptualised in these terms. Little attention was paid in these studies either to the broader effects of redundancy beyond the individual worker or organisation, nor to the complex set of social and institutional factors that shape the experience of redundancy and restructuring.

The second concern voiced in these symposiums in the mid to late 1990s was that there was little attention being paid to the *process* and *management* of redundancy, issues which had been key to a number of key studies in the 1970s and early 1980s. Westergaard *et al*'s (1989) longitudinal study of restructuring in the steel industry in the UK city of Sheffield between 1983 and 1986, for example, pointed to the effects of a long-term climate of restructuring and insecurity on individuals prior to their experiencing redundancy and the impact of the management of downsizing on the post-redundancy experience of those affected (see also Burchell, 1994). According to Turnbull and Wass (1997: 28), the neglect of the process of redundancy in studies conducted in the 1980s and early 1990s stemmed from economists' preoccupations with the macroeconomics of labour market restructuring and with post-redundancy outcomes and the subsequent labour market experience of displaced workers.

2.3 Beyond the individual: understanding the economic and social effects of redundancy

The psychological literature on redundancy has identified a number of effects of redundancy on the individual. These effects vary according to behavioural traits and a range of situational factors. Job loss may impact negatively on individual physical and mental health. Individuals utilise a range of strategies to cope with job loss, which may mediate the relationship between job loss and health. Coping strategies have been characterised as 'symptom-focused' or 'problem focused'. The former centre on attempts by the individual to decrease the effects of job loss, for example by seeking financial assistance or drawing upon social support networks, whilst the latter involve attempts to eliminate the source of stress, through engaging in job search, undertaking retraining or engaging in voluntary work. Leana and Feldman (1990) argue that active problem-focused strategies are associated with a greater probability of making a successful transition to alternative employment. Kets de Vries and Balazs (1997), suggest that the success of coping strategies depend on the personal characteristics of the individual experiencing redundancy. They identify different reactions to redundancy. These include 'individuals who are able to adapt, and those who become antagonised or depressed following redundancies'. These different reactions are explained via reference to the personal characteristics of the individual, their skills and competencies. Those individuals that 'adapted' to job loss often had high levels of skills and found a new job with relative ease. Those that 'did a Gauguin', and changed direction dramatically as a result of job loss, were often at midlife and had 'arrived at a life stage which forced them to stop and reconsider their priorities' (Kets de Vries and Balazs, 1997: 25).

Comparisons between the experiences of those who 'survive' redundancy and remain employed in the firm and the 'victims' who lose their jobs have pointed to the negative consequences of restructuring for survivors as well as victims. It has been argued that survivors often experience high levels of stress and lower levels of commitment following layoffs, attributable in part to guilt amongst those who remain towards those who have lost their jobs (see Brockner, 1988). In a recent study, Devine et al (2003) argue that victims who secure new jobs experience less stress, higher job control and fewer job strains than their surviving counterparts.

As noted above, the focus of these studies is on the individual worker or organisation. Analysis beyond the individual in these studies has tended to be focused on identifying the contextual or environmental factors that mediate the relationship between job loss and adverse effects, or which help or hinder the coping strategies employed. Kiniki et al (2000), for example, report that the likelihood of displaced workers finding satisfactory re-employment was dependent upon their satisfaction with family life, leisure activities and the amount of social support that they received from friends and family. Leana and Feldman (1988) recognise that a range of factors may shape the decision to adopt one coping strategy over another, pointing to occupation as one factor that impacts upon the strategies followed. They argue that individuals in occupations with relatively high geographical mobility (e.g. teachers) may utilise more active problem-focused strategies than those with low geographical or inter-firm mobility (e.g. steelworkers).

Despite these interventions, which hint at the importance of social and institutional context in understanding the effects of redundancy, these issues have been largely ignored in the psychology literature. A notable exception is the work of Jahoda (1982). In her analysis of unemployment, Jahoda (1982: 15) calls for a 'social-psychological' perspective to be adopted, in which 'the actions and experiences of people are related to the social context in which they occur'. Jahoda attempts to illuminate the psychological meaning of both employment and unemployment. Employment provides the means by which people earn a living, but 'as an unintended by-product' it also enforces other 'categories of experience', including a time structure on the day, enlarged social relations 'beyond the often emotionally highly charged family relations and those in the immediate neighbourhood', and it assigns social status and clarifies personal identity (Jahoda, 1982: 83). These categories of experience are said by Jahoda to correspond to deep-seated needs, with employment seen to be one dominant structure that meets these needs. The experience of employment prior to job loss is fundamental to understanding the effects of redundancy, since it presents a change in these categories of experience. Jahoda's analysis of mass unemployment in the 1930s in Marienthal, a one-factory village in Austria which closed in 1929, found how unemployed men lost their sense of time following job loss, whilst the loss of contact with a collective group and its purposes resulted in a narrowing of social contacts and reduced scope for social experience. Family relations were seen as a complement rather than a substitute for wider social relations. Identity gained through employment also carried over into unemployment, with many workers (particularly the over-50s) continuing to describe themselves and define their identity during unemployment in terms of their former occupation. For Jahoda (1982: 26), the tendency of those aged 21-50 to define themselves as unemployed, 'and thereby to being outsiders to normal life' was evidence for social disintegration resulting from unemployment.

The importance of locating the effects of redundancy within a broader social and institutional context has been recognised in a number of studies within the fields of sociology and industrial relations. Greenwood et al. (2004) highlight the importance of labour market institutions to mediating the effects of redundancy.

In their study of recent job losses in the Welsh steel industry, they evaluate the co-ordinated responses adopted by local labour market institutions, government agencies and trade unions in Wales to redundancy announcements in the steel industry. They argue that co-ordinated support, implemented in both the lead up and aftermath of redundancies helped to facilitate successful transitions of displaced workers into alternative forms of employment. Mackenzie et al. (2006) stress the ongoing importance of occupational and class identity, to understanding post-redundancy responses of displaced workers in the steel industry. Work within the steel industry was central to the construction of identity. This identity was also shaped by individuals' experiences and social relations within the local community. Redundant steel workers often still defined themselves in terms of their steel working identity and this shaped the actions that individuals took following redundancy, in terms of the sources of support they used, the job search methods they undertook and their perceptions of their future prospects for employment. MacKenzie et al. (2006) also revealed how class identity was important to understanding the effects of redundancy, a theme which has also emerged in other studies. Westergaard et al.'s (1989) study of collective redundancies in the UK steel industry, for example sought to examine how class-consciousness and a long-standing culture of organised politics in the region they studied shaped the individual redundancy experience. Westergaard et al. hypothesised that individuals' political interpretations of what happened to them following redundancies might be shaped by their class consciousness and might differ from responses predicated in the psychological literature. Yet one finding from the study was that redundant steel workers had shifted their stance against high profile union activism following their redundancies (P184). However, for Westergaard et al, this did not constitute a rejection of the principles of solidarity and common interest: the workers in their study still voiced opinions in class terms and many of their actions could be understood in terms of responses based on class divisions.

2.4 Developing an understanding of the process and management of redundancy

Sharp rises in the incidence of redundancy and corporate restructuring over recent years, outlined in Appendix 1 above, have increased the need for a systematic analysis of the full social and economic effects of redundancy and the questions of 'how and why firms are able to shed labour with such consummate ease' (Turnbull and Wass, 1997: 28). Yet, it remains the case that there are few studies that have sought to examine the process and management of redundancy. The extant literature on redundancy has tended to make a sharp distinction between the pre-redundancy and post-redundancy periods, and sees the latter as the most important factor in determining the effects of redundancy. It is, however, possible to point to a number of recent studies which do highlight the importance of the pre-redundancy period to understanding the effects of redundancy. Case study research reveals the crucial importance of early interventions to the achievement of successful transitions to alternative employment, particularly in the period immediately following the announcement of redundancies (Stuart, 2005; Trappman and Stuart, 2005; Forde et al., 2006; MacKenzie et al., 2006). Evidence points to the superior outcomes when interventions are targeted at both the lead up to and the period following redundancy. Transitions to alternative employment are more likely to be successful where workers are provided with tailored support (in terms of retraining, careers and job search advice etc) in the crucial period following the announcement of redundancies and before the redundancies are implemented.

The relationship between the process of restructuring, downsizing and systems of labour market regulation has also been considered in a number of recent studies (see Forde et al, 2006, for a review). In many European countries, a higher 'base level' of protection exists guarding the individual worker against redundancy, through national-level legislation. Many governments have responded to recent increases in the incidence of redundancy by placing greater restrictions on the managerial prerogative to undertake redundancies. In contrast, in regulatory regimes where there are few statutory limits on employers' rights to hire and fire and where deregulation has continued apace over recent years, discussion over greater levels of protection against layoffs in recent years has been confined largely to debates over *voluntary* employer initiatives. Rising concern over corporate social responsibility, in particular, from the mid-1990s has revived interest in the process of redundancy. Ethical frameworks for understanding downsizing decisions have used the concepts of 'organisational virtuousness' and the 'resource based view of the firm' to examine downsizing decisions (see Bright *et al.*, 2006) and have sought to develop frameworks for understanding the ethics of downsizing within permissive regulatory regimes such as the US (Van Buren, 2000). Van Buren's (2000: 216), for example, argues that 'the ethical problems posed by downsizing are little different from those posed by equal employment opportunity or environmental damage'. He argues that implied psychological and social contracts between employers and employees bound the moral space of managers contemplating redundancies, and that employment should be seen as a public rather than private good, with resultant social costs and benefits to a range of stakeholders beyond the individual organisation and employee. Building on these notions, Van Buren claims that both the decision to make redundancies and the treatment of redundant employees can be measured and judged in ethical terms.

These interventions have called for redundancy to be placed more centrally within debates over business ethics and within company policies around CSR, and have argued that the interests of a broad set of stakeholders, including trade unions and local communities, can be met through the development of ethical frameworks of downsizing. The European Commission has stressed that ongoing dialogue with stakeholders is a central component of corporate social responsibility programmes, yet to date there is no explicit reference to restructuring and redundancy activities within guidance on promoting CSR (Commission of the European Communities, 2006). As Deakin (2002) has noted, without such explicit references, most companies may continue to perceive that CSR is linked to 'external' issues of accountability such as environmental issues, rather than 'internal' issues such as employment and restructuring, and are content with maintaining minimum regulatory compliance on these latter issues (see also Edwards and Wajcman, 2005). Analysis of a recently established index of socially responsible activities within UK companies provides some initial evidence to support this view. Business led, voluntary, and self-assessed, the index lists around 60 indicators of positive CSR activities, of which only one relates to the company's behaviour with regards to restructuring (Business in the Community, 2006) Of the positive CSR activities established by the top 100 companies in this index in recent years, not one was related to the process of restructuring or the treatment of redundant workers.

2.5 Conclusions

This review of the literature has argued that attention in the literature on redundancy has been largely focused on the effects on the individual firm and employer. It has been argued that more attention needs to be paid to locating the effects of redundancy within a broader social and institutional context. It has also been argued that closer attention needs to be paid to the process and management of redundancy, as the pre-redundancy period, as a number of studies have revealed that the pre-redundancy period is critical to subsequent post-redundancy transitions.

APPENDIX 3 - THE EUROPEAN GLOBALISATION ADJUSTMENT FUND

3.1 Introduction

In 2005, the European Commission published a communication on the role of the European Union in anticipating restructuring (European Commission, 2005a). As part of this role, the document pointed to the need for support for workers in the EU made redundant as a result of major changes in world trade patterns. This resulted in a European Commission proposal for a European Globalisation Adjustment Fund (EGF) (see European Commission 2006a, European Commission 2006b). This aim of the fund is to provide active support in the form of tailored re-integration measures for up to 50 000 workers per year made redundant due to changing world trade patterns. During discussions of the EGF within the European Parliament in 2006, key areas of debate were the eligibility criteria for accessing EGF funds, both in terms of the level at which the redundancy threshold should be set (1000 or more workers, or 500 or more workers), and the time period over which redundancies have to be implemented to secure support (6 months or 12 months). Other areas of debate centred on the relationship between the EGF and other EU funding streams and on the type of activities that the EGF will support.

This Appendix provides an overview of these debates. It begins by outlining the main proposals in the EGF. It then considers the responses of the social partners to the EGF before considering the key areas of debates that have dominated discussions within the European Parliament.

3.2 The EGF: Background and key features

In 2005, the European Commission relaunched the Lisbon Strategy, focusing on ‘stronger and lasting growth and the creation of more and better jobs’ (see European Commission, 2005: 1). Key to the Lisbon strategy is the need for rapid adaptation of firms and workers to change. In March 2005, the Commission published a communication which recognized that this change and restructuring entailed significant costs for workers and for individual regions and countries in the EU (European Commission, 2005: 1). It was argued that the success of the Lisbon strategy depended upon the effective management of restructuring, and that the EU had a central role to play in anticipating restructuring, developing policies to minimize the social costs of restructuring, and promoting the search for alternative sources and jobs and income.

On 1st March, 2006, the European Commission proposed the establishment of a Globalisation Adjustment Fund, of up to €500 million a year, to support workers in the EU in regions and sectors affected by major changes in world trade patterns. The Commission argued that whilst the opening-up of economies to international competition brought new opportunities in terms of economic dynamism, competitiveness and the creation of high-quality jobs, job losses in less competitive sectors were an ‘inevitable impact’ of trade opening and globalization (European Commission, 2006a: 1). The EGF would provide assistance for workers made redundant as a result of globalization, by offering ‘one-off, time limited individual support for tailor-made services to help....workers affected by globalisation with individual wage allowances, re-training or concrete assistance to find new jobs’ (European Commission, 2006a: 1).

Announcing the proposal, President Barroso noted ‘The Globalisation Adjustment Fund will express the Union's solidarity towards those severely and personally affected by trade-adjustment redundancies. In this way, it will provide a stimulus to respond appropriately and effectively to the adverse impact of market opening. The fund will help workers made redundant back to work because we want a competitive, but also a fair EU’ (European Commission, 2006a: 1). The establishment of the EGF was inspired, in part at least, by a similar trade adjustment fund in the USA. The US Trade Assistance Act was established in 1962, accompanying trade liberalisation programmes. This fund has sought to provide assistance to those affected by restructuring resulting from free trade agreements. It initially provided income maintenance and support for relocation to individuals for up to a year following job losses caused by import competition (see Marcal, 2001). Since the 1980s it has also included a compulsory training element (see Jacobson, 1991). It continues to operate at the present time.

The main features of the proposed EGF were as follows:

- The EGF was to provide support for workers made redundant as a result of major structural changes in world trade patterns. (Article 1)
- The EGF initially proposed covering redundancies of 1000 or more in an enterprise, or 1000 workers in a sector in a 6 month period, representing at least 1 per cent of employment in that sector (Article 2).
- Support would be focused on providing packages of personalised active measures to re-integrate displaced workers into the labour market. For the over 50s, both active measures and in-work income supplements were to be made available (Article 3)
- Member states will submit an application for an EGF contribution, detailing the link between redundancies and structural trade patterns and the actions to be funded
- EGF assistance will not replace existing national laws and shall complement actions of Member States (Article 6)
- Up to €500 million would be available per year to fund these activities. This would provide assistance for up to 50 000 workers affected by restructuring (i.e. 10 000€ intervention support per worker).

The Commission’s proposals to develop initiatives to address restructuring received a mixed response from the social partners. These varied responses reflect the complexities of restructuring and divergent views about how and why restructuring occurs, its effects and the role of national and supranational agencies in the process. The European Trades Union Congress (ETUC) broadly welcomed the rise of restructuring to the top of the EU agenda, and emphasized the importance of the need for policies to help with adjustment to change and to facilitate their transitions to alternative jobs of equivalent quality. However, the ETUC also highlighted the importance of linking initiatives such as the Restructuring Forum and the EGF to other EU instruments, particularly those surrounding consultation and communication between management and unions (ETUC, 2005; TRACE, 2006). The importance of communication and consultation with social partners over proposed redundancies and the need for consideration of alternatives to redundancies were highlighted by trades unions.

Some key groups representing employers argued that there was little need for further regulatory interventions in the area of restructuring and that 'company restructuring was based on the strategic and economic decision of the management of an individual company' (CEEMET, 2005). However, other key employers groups welcomed the establishment of an EGF and a contingency reserve to fund active support measures (see for example, UEAPME, 2005). Governments in individual member states voiced concerns about the effect that proposed regulatory change would have on flexibility. The UK government, for example, expressed the view that any requirements on employers to consult and inform about redundancies earlier and in more detail would '....drive up the cost of restructuring operations that are essential to maintaining competitiveness' (UK Parliament, 2005).

During discussions of the EGF within the European Parliament, debate centred on the eligibility criteria for accessing support. There were concerns that setting the threshold at 1000 or more redundancies in a single enterprise might contravene the principle of equal treatment irrespective of a Member State's size (see for example, European Parliament Committee on Economic and Monetary Affairs, 2006: 3). Given different concentrations of small and medium sized enterprises across Europe and differences in the incidence of large-scale redundancies, the 1000 or more threshold might make it difficult for many Member States to apply for EGF support.

Another key area of debate surrounded the relationship between the EGF and other EU and national level regulations, and the relationship between the EGF and other EU funding streams. It is important to recognise that the EGF proposals are only one part of a range of historical and ongoing interventions by the EU, which, either directly or indirectly, have attempted to address aspects of restructuring. The Collective Redundancies Regulations (1998) have established minimal levels of consultation that must be undertaken by enterprises in the event of restructuring, whilst individual countries have also put in place a range of legislative measures covering redundancies. Various EU funding streams also address aspects of restructuring, notably the European Structural Funds (see European Commission, 2005).

There were also extensive discussions over: the importance of recognising downstream and upstream suppliers who might also be affected by redundancies occurring in an individual firm; the level of the budget allocated to the EGF (see European Parliament Committee on Budgets, 2006); the question of whether wage supplements should be limited to the over 50s (see European Parliament Committee on Industry, Research and Energy, 2006); and the definition of a 'sector' affected by restructuring. Finally, there was the question of the type of activities that will be funded by the EGF. The EGF proposals emphasized the tailored nature of support services. Potential support activities could include job search assistance, personalised retraining, entrepreneurship, and assistance for self employment. In addition, special temporary 'in-work supplements', such as allowances for those participating in training, were considered, as well as complementary wage allowances for workers over 50.

In October 2006, the Employment and Social Affairs Committee voted on a range of proposed amendments to the EGF, and adopted a draft report. The report was adopted by 34 votes in favour to 3 against with 2 abstentions. Key amendments to the EGF broadened the scope of the fund. Interventions, it was argued, should be possible not only in circumstances in which 1000 or more workers lose their jobs in a single enterprise. They should also be accessible, 'in small labour markets or in exceptional circumstances, where at least 500 workers are concerned and where there is a significant impact on employment and the local economy, or when during a period of 12 months at least 1000 workers lose their jobs in one or more companies in a particular region' (European Parliament, 2006: 1).

On 30th November 2006, an agreement was reached at the Trilogue between the Employment and Social Affairs Committee (and the Committee on Budgets) and the Council on the EGF. The main achievements were: the introduction of a safeguard clause into the EGF, earmarking 15 per cent of the funds' provision for exceptional circumstances and small labour markets; the possibility of joint applications by Member States; the lengthening of the reference period for the counting of 1000 redundancies in Article 2 b) to 9 months; the clarification that no passive social protection measures should be financed by the EGF; the eligibility of micro-credit actions and complementarities with interventions by the structural funds; the elimination of secondary criteria in Articles 2a and 2b (relating to the unemployment rate and a sector representing 1 per cent of regional unemployment in the region); the increase in the rate of co-financing to 50 per cent from the 40 per cent originally proposed by the Council; the obligation for the commission to initiate the budgetary procedure for the authorisation of payments immediately and to pay in principle within 15 days following the adoption of the relevant decision; and the setting up of an internet site available in all EU languages to provide information on the EGF. In December 2006 a Plenary debate and vote on the EGF took place. The final legislative act was passed on 20th December 2006 (Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund).

3.3 Conclusion

The EC proposal to establish a globalization adjustment fund generated considerable debate amongst the social partners. Debate centred on: whether there was a need for such a fund; the criteria for accessing support; the relationship between this fund and other EU instruments and funding streams, and the mechanics of how the EGF would operate in practice. The following Appendices provide a detailed analysis of these issues and an evaluation of the likely impact of the EGF.

APPENDIX 4 - POLICY SCENARIOS FOR THE EGF

4.1 Introduction

This Appendix provides policy scenarios for the EGF based on different eligibility criteria. Job losses due to restructuring are widely referred to across Europe as ‘collective redundancies’. This appendix reports findings from the authors’ own analysis of available data from the European Restructuring Monitor (ERM) on collective redundancies in Europe between 2003 and 2005. As noted in Appendix 1, a major point of debate has been over the redundancy threshold for accessing EGF support and the time period over which redundancies have to be implemented in order to access funds. This appendix provides a detailed analysis of the effects of different thresholds on the number of workers who would be eligible for EGF support, both in individual countries and across the EU as a whole. In particular, we identify the number of workers affected by redundancies involving 500 or more workers and 1000 or more workers, and the number of workers affected by redundancies implemented over 6 months or less and 12 months or less. These figures are calculated for 2003, 2004 and 2005 across all European countries. These figures are then used to calculate the proportion of the total number of workers made redundant each year that could receive EGF support, given a maximum annual EGF budget of €500 million, and intervention support of €10000 per worker.

The data reveal that there has been a sharp rise in collective redundancies across the EU over the 2003 to 2005 period. The total number of workers affected by redundancies in cases involving 500 and 1000 or more workers has also risen each year. It is clear from the data that a large proportion of collective redundancies are implemented over a longer period than twelve months. The analysis also reveals that a lower threshold (of 500 or more workers) would extend the number of workers potentially eligible for EGF support, and would increase the number of EU countries that could potentially draw upon this fund. In particular, a lower threshold would extend the number of smaller countries and the number of EU accession countries that could apply for support from the fund. Finally, it is important to recognise that the data currently available on restructuring does not allow for the identification of collective redundancies due to changes in world trade patterns. A key finding of the appendix, therefore, is the need for further research and the collection of systematic data on the number of redundancies that are due to major changes in world trade patterns.

4.2 Data from the European Restructuring Monitor

The analysis in this Appendix draws on data from the ERM, established by the European Monitoring Centre for Change. This is a database of all known collective redundancy announcements in the EU, compiled from announcements in the press. There are some drawbacks to this approach to collecting data on restructuring activities, which have been recognised by the ERM (see European Foundation for the Improvement of Living and Working Conditions, 2006). Redundancy announcements are likely to be reported to a greater or lesser extent in different member countries. It seems reasonable to assume that in smaller EU countries, redundancies affecting a relatively small number of workers are more likely to be reported in the press than in larger countries. In larger countries, smaller levels of redundancies, affecting say 10 or 20 workers, may not be reported at all. There may, therefore, be some bias in the overall figures.

It seems likely, however, that incidences of redundancy involving 500 or more and 1000 or more workers (the key focus of this report) are likely to be recorded in the press in all EU countries. The data used for the policy scenarios in this appendix are therefore likely to be a good indicator of the extent of large scale redundancies across Europe.

Data from the ERM do not allow for the identification of whether or not redundancies are due to changes in world trade patterns. This is a limitation of all data sources on restructuring at the present time. In the analysis below, *all* types of restructuring announcements have been included in the calculations. In other words, the calculations include redundancies resulting from all of the following reasons: internal restructuring, bankruptcy/closure, offshoring outsourcing and mergers and restructuring for other reasons. *The figures presented below should therefore be seen as an upper threshold on the numbers likely to be eligible for EGF support.* In addition, the calculations only consider redundancies announced in individual companies, and do not take into account upstream and downstream effects. With additional upstream and downstream effects - perhaps affecting twice as many workers as those made redundant in an individual firm - a much lower threshold of redundancies could make a case eligible for EGF support (under criterion 2a of the EGF).

The tables in this Appendix have been compiled by summing the total numbers affected by restructuring in the EU between 2003 and 2005. During this period there were 3407 announcements of redundancies. All but one of these restructuring announcements has been included in the calculations below. The 104 000 redundancies announced by the UK civil service in 2005 were omitted from the calculations, as there was no specific information about the parts of the civil service that would be affected, or the numbers to be affected within particular functions. The data below only include cases where *specific* numbers of redundancies within a particular country could be identified in the ERM. Where restructuring announcements were reported in the ERM as affecting the whole of the EU or were 'worldwide', and did not include specific numbers of workers affected in individual countries, these announcements have not been included in the calculations. It is possible, then, that the figures in the tables underestimate the levels of restructuring across Europe. The calculations also make some assumptions about the period over which redundancies are implemented. Where a start date and a timeline for redundancies was provided in the ERM database, this information has been used to calculate whether the implementation period is 6 months or less, 12 months or less or longer than 12 months. In other cases (i.e. where only a start date, only a timeline, or neither of these pieces of information is provided) the assumption has been made that these redundancies will occur within a 6 month period.

The results of our analysis of the ERM database can be found in Table 4.1 (for the year 2003), Table 4.2 (for 2004) and Table 4.3 (for 2005). The second column in each table shows the total number of job reductions in each country. These aggregate numbers of job losses across EU countries have already been considered in detail in Appendix 1. These figures include all announcements of redundancies of any size that are reported in the ERM database. These have been compiled from our own analysis of the ERM database for the years 2003 and 2004. The total number of job reductions in 2005 (apart from the figures for Slovakia and Romania) has been taken from European Foundation for the Improvement of Living and Working Conditions (2006). Of particular interest for our analysis of the EGF are the data in the remaining columns. The third and fourth columns highlight the number of job losses involving 1000 or more workers and the number of companies implementing these large-scale redundancies.

Columns 5 and 6 report the number of job losses involving 500 or more workers and the number of companies implementing these redundancies. Columns 7 and 8 look more closely at the time period over which redundancies were implemented in cases involving 500 or more workers: those implemented within 6 months are reported in column 7 and those within 12 months are reported in column 8. Together, these data provide a detailed picture of the extent of restructuring in Europe and changes in restructuring activities over the last few years. The data also allow estimates to be compiled of the potential numbers eligible for EGF support. Four EGF policy scenarios have been calculated on the basis of an annual budget of €500 million and intervention support of €10000 per individual. Support at this level could thus be provided for 50 000 individual workers per year. The scenarios calculate the proportion of the workers affected by redundancy in a given year that could be offered support at this level.

Table 4.1 Redundancies in 2003 by country

Country	Total job reductions in 2003	Number of job losses in cases involving 1000+ employees	Number of companies	Number of job losses in cases involving 500+ employees	Number of companies	Number of job losses in cases with 500+ layoffs within 6 months	Number of job losses in cases with 500+ layoffs within 12 months
UK	75218	56220	26	65394	40	43294	44294
Germany	56002	38150	13	47490	28	29040	29790
France	62593	25865	13	40487	36	26566	34638
Spain	19543	15200	3	17215	7	1865	1865
Portugal	21088	11368	6	13000	9	7038	10650
Belgium	19366	10700	6	11250	8	7950	8800
Sweden	14969	9000	4	12750	9	10150	10750
Italy	15277	8750	4	10150	7	3100	3100
Austria	11922	8300	3	8300	3	700	700
Netherlands	21116	8015	3	11515	9	8415	9015
Finland	11334	4900	4	4900	4	4900	4900
Denmark	10146	2774	2	5495	6	2461	4511
<i>Additional countries that would be eligible for EGF support with 500+ threshold</i>							
Ireland	5332	0	0	1600	3	1600	1600

Country	Total job reductions in 2003	Number of job losses in cases involving 1000+ employees	Number of companies	Number of job losses in cases involving 500+ employees	Number of companies	Number of job losses in cases with 500+ layoffs within 6 months	Number of job losses in cases with 500+ layoffs within 12 months
<i>Countries not eligible for support</i>							
Greece	566	0	0	0	0	0	0
Luxembourg	195	0	0	0	0	0	0
Bulgaria	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0
Czech Republic	0	0	0	0	0	0	0
Estonia	0	0	0	0	0	0	0
Hungary	0	0	0	0	0	0	0
Latvia	0	0	0	0	0	0	0
Lithuania	0	0	0	0	0	0	0
Malta	0	0	0	0	0	0	0
Poland	0	0	0	0	0	0	0
Romania	0	0	0	0	0	0	0
Slovakia	0	0	0	0	0	0	0
Slovenia	0	0	0	0	0	0	0
TOTAL	331217	199242	87	249546	169	147079	164613

Notes: see text for details.

Data compiled from analysis of the European Restructuring Monitor, operated by the European Monitoring Centre on Change.

See <http://www.emcc.eurofound.eu.int/erm/index.php?template=home>

Table 4.2 Redundancies in 2004 by country

Country	Total job reductions in 2004	Number of job losses in cases involving 1000 or more employees	Number of companies	Number of job losses in cases involving 500 or more employees	Number of companies	Number of job losses in cases with 500+ layoffs within 6 months	Number of job losses in cases with 500+ layoffs within 12 months
Germany	83031	58385	15	66623	27	30598	40198
Poland	65956	58350	8	61100	12	57600	61100
UK	87940	57125	32	77695	62	65995	68195
France	45103	25705	8	30773	16	18541	27341
Netherlands	20607	8100	4	11435	14	7285	8435
Spain	15159	6483	2	9578	7	1845	1845
Sweden	14109	5500	1	6500	3	6000	6500
Italy	10861	4750	2	7432	6	7432	7432
Portugal	7086	2500	2	2500	2	0	0
Slovakia	4396	2066	2	3196	4	3196	3196
Belgium	7139	1700	1	2200	2	2200	2200
Ireland	4974	1325	1	1855	2	1855	1855
Austria	3623	1000	1	1000	1	1000	1000
Luxembourg	1000	1000	1	1000	1	1000	1000
<i>Additional countries that would be eligible for EGF support with a 500+ threshold</i>							
Finland	4761	0	0	672	1	672	672
Denmark	3141	0	0	525	1	525	525
<i>Countries not eligible for EGF support</i>							
Bulgaria	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0
Czech Republic	610	0	0	0	0	0	0
Estonia	0	0	0	0	0	0	0

Country	Total job reductions in 2004	Number of job losses in cases involving 1000 or more employees	Number of companies	Number of job losses in cases involving 500 or more employees	Number of companies	Number of job losses in cases with 500+ layoffs within 6 months	Number of job losses in cases with 500+ layoffs within 12 months
Greece	0	0	0	0	0	0	0
Hungary	0	0	0	0	0	0	0
Latvia	0	0	0	0	0	0	0
Lithuania	220	0	0	0	0	0	0
Malta	0	0	0	0	0	0	0
Romania	0	0	0	0	0	0	0
Slovenia	0	0	0	0	0	0	0
TOTAL	379716	233989	80	284084	161	205774	231494

Notes: As for Table 4.1

Table 4.3 Redundancies in 2005 by country.

Country	Total job reductions in 2005	Number of job losses in cases involving 1000 or more employees	Number of companies	Number of job losses in cases involving 500 or more employees	Number of companies	Number of job losses in cases with 500+ layoffs within 6 months	Number of job losses in cases with 500+ layoffs within 12 months
Germany	108233	87215	27	104929	54	38643	64483
Romania	68976	52176	16	61440	30	27701	30201
UK	200706	48786	26	69224	56	62794	62794
France	45405	28753	8	32424	18	20334	32424
Poland	27117	21800	6	25582	12	19082	19582
Netherlands	22111	10000	3	13098	8	11498	12498
Sweden	16691	5500	3	7700	7	6450	6450
Spain	13963	4164	2	7222	6	6324	6324
Hungary	10960	3897	2	4977	4	3880	4977
Bulgaria	3227	2200	2	2920	3	1200	1920

Country	Total job reductions in 2005	Number of job losses in cases involving 1000 or more employees	Number of companies	Number of job losses in cases involving 500 or more employees	Number of companies	Number of job losses in cases with 500+ layoffs within 6 months	Number of job losses in cases with 500+ layoffs within 12 months
Slovakia	4488	2105	1	2705	2	600	2705
Ireland	5697	1700	1	2260	2	2260	2260
Italy	7467	1200	1	3220	4	2700	3220
Portugal	4478	1050	1	2350	3	2350	2350
Slovenia	6327	1000	1	3475	5	2475	2475
Denmark	5234	1000	1	2755	4	1625	2255
<i>Additional countries that would be eligible for EGF support with 500+ threshold</i>							
Belgium	5266	0	0	1480	2	1480	1480
Finland	7240	0	0	1119	2	519	1119
Malta	850	0	0	850	1	850	850
Latvia	600	0	0	600	1	600	600
<i>Countries not eligible for support</i>							
Austria	1708	0	0	0	0	0	0
Cyprus	60	0	0	0	0	0	0
Czech Republic	14949	0	0	0	0	0	0
Estonia	1068	0	0	0	0	0	0
Greece	0	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0
TOTAL	582761	272546	101	350330	224	213365	260967

Notes: As for Table 4.1

As already noted in Appendix 1, the number of collective redundancies increased between 2004 and 2005. Focusing on redundancies involving 1000 or more workers, the total number of workers affected by such redundancies has risen each year. The total number rose from 199242 to 272546 between 2003 and 2005, a rise of 37 per cent. The number of companies implementing redundancies of 1000 or more workers has also risen over the period, from 87 companies in 2003 to 101 in 2005. Furthermore, the number of countries in which companies announcing redundancies of 1000 or more workers are located has risen over the period, from 12 in 2003 to 16 in 2005.

Redundancies involving 1000 or more workers have been concentrated in three of the old EU15 countries, Germany, the UK and France. In 2003, 120235 of the workers affected by redundancies involving 1000 or more workers were in these three countries. In 2004, this figure rose to 141215 and in 2005 the figure was 164754. *In each of the three years, then, workers in these three countries have accounted for 60 per cent of all the workers affected by redundancies involving 1000 or more workers across the EU.* There is, however, evidence of widespread restructuring in a number of the new accession countries, particularly Poland and Romania. In 2004, 58530 Polish workers were affected by redundancies involving 1000 or more workers, constituting 25 per cent of the total. In 2005, this figure was 21800, comprising 9 per cent of the total. In Romania in 2005, 52176 workers were affected by redundancies involving 1000 or more workers, comprising 19 per cent of the total.

If the EGF threshold for accessing funds was set at 1000 or more redundancies, between 47 and 62 per cent of those affected by restructuring across the EU would be potentially eligible for EGF support. Looking at the year 2005, for example, 272546 workers would have been potentially eligible for support (Table 4.3). This constitutes 47 per cent of all redundancies announced due to restructuring in this year. The first policy scenario we consider is therefore:

Policy Scenario 1: Set the EGF threshold at 1000 or more redundancies

With an annual EGF budget of €500 million and with interventions costing €10000 per individual, 18 per cent of the 272546 workers potentially eligible for assistance could receive support.

What are the effects of reducing the EGF eligibility threshold to 500 or more workers? This extends the potential number of those eligible for support, by between 21 and 29 per cent each year. Looking at the 2005 data, for example, lowering the threshold to 500 or more workers would mean that a total of 350330 workers would be eligible for EGF support (see total figure in column 5 of Table 4.3). This is a rise of 77784 workers, or 29 per cent on the figure eligible for support with a 1000+ threshold.

Reducing the threshold to this lower level would mean that more countries would be eligible for support from the EGF. In 2005, four additional countries (Belgium, Finland, Latvia and Malta) would be eligible for support with the lower 500+ threshold. The additional number of countries that become eligible for support by lowering the threshold has risen between 2003 and 2005, from 1 in 2003 to 4 in 2005. Importantly, reducing the threshold has a significant impact on the number of workers eligible for the EGF in many of the smaller countries, where small and medium sized enterprises are likely to be more dominant. The lower threshold also extends the coverage of the EGF to more of the new accession countries.

The second policy scenario we consider is therefore:

Policy scenario 2: Set the EGF threshold at 500 or more redundancies

With an annual EGF budget of €500 million and with interventions costing €10000 per individual, 14 per cent of the 350330 workers potentially eligible for assistance could receive support

What are the effects of including a 6 month or 12 month limit on the period over which redundancies are implemented? Tables 4.1 to 4.3 make it clear that many redundancies are implemented over a much longer time period than 6 or 12 months. Including redundancies implemented over a 12 month period rather than just those taking place over a six month period increases the number of workers who would be potentially eligible for EGF support. In 2005, for example, limiting EGF support to cases where layoffs take place in 6 months would mean that 213365 of the 350330 workers in cases involving 500+ layoffs would be eligible for support (61 per cent of the total). The biggest ‘losers’ in this case would be countries in which companies implement the largest redundancy programmes (Germany, France, UK, Poland), since these tend to take place over a longer period. The third policy scenario we consider is therefore:

Policy scenario 3: Set the EGF threshold at 500 or more redundancies implemented within a six-month period

With an annual EGF budget of €500 million and with interventions costing €10000 per individual, 23 per cent of the 213365 workers potentially eligible for assistance could receive support

Increasing the layoff period to include redundancies taking place over 12 months would mean that 260967 workers would be potentially eligible for EGF support in 2005, an increase of 47602 workers when compared to the six month threshold. This longer layoff period increases the numbers of workers eligible for support in many of the smaller countries and in the EU accession countries. There is therefore a case for setting the layoff period at 12 months rather than 6 months. The final policy scenario considered is:

Policy scenario 4: Set the EGF threshold at 500 or more redundancies implemented within a 12 month period

With an annual EGF budget of €500 million and with interventions costing €10000 per individual, 19 per cent of the 260967 workers potentially eligible for assistance could receive support

As noted at the beginning of Appendix 4, it is important to note that all types of restructuring announcements have been included in compiling the figures. Thus, no judgement has been made about whether these redundancies are due to changes in world trade patterns. *The figures should therefore be seen as an upper threshold on the numbers likely to be eligible for EGF support. The four policy options are summarised in Table 4.4 below.*

Table 4.4: Summary of policy options

	Number of workers potentially eligible for EGF support in 2005	Proportion of these workers that could be supported at €10000 per individual (assuming annual budget of €500m)
1000+ threshold, no limit on layoff length	272546	18%
500+ threshold, no limit on layoff length	350330	14%
500+ threshold, 6 month layoff limit	213365	23%
500+ threshold, 12 month layoff limit	260967	19%

4.3 Conclusions

Our detailed analysis of the ERM data show that the decision to set the threshold at 500 or 1000 or more redundancies will have a significant impact upon the number of workers and countries potentially eligible for EGF support. A threshold of 500 or more workers would increase the number of smaller EU countries and accession countries potentially eligible for support. The decision over whether to set the period over which redundancies are implemented to 6 months or 12 months will also have a significant impact on the number of workers and countries potentially eligible for support. There is a strong case for setting the limit at 12 months as this would increase the number of smaller and EU accession countries eligible for support. Two other conclusions can also be drawn from our analysis. First, in all of the policy scenarios considered, only a minority of those affected by redundancy (between 14 and 23 per cent) would be eligible for support with an annual budget of €500 million and intervention support of €10000 per person. Secondly, the data currently available on restructuring in the EU does not allow for the identification of the precise number of redundancies due to changes in trade patterns. There is a need for further research in the future to identify the number of redundancies due to global restructuring, in order to allow for a robust analysis in the future of the effects of the EGF.

APPENDIX 5 -EXISTING EUROPEAN FUNDING STREAMS AND THE ADDED VALUE OF THE EGF

5.1 Introduction

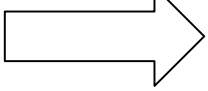
There are a number of European Union funding streams that are of relevance to our analysis of the added value provided by the EGF. There is scope under some of these initiatives to finance redundancy support initiatives within the framework of regeneration programmes or active labour market policies. These initiatives fall primarily under the EU Structural Funds. During the period 2000-06, the Structural Fund regime included the European Regional Development Fund (ERDF), the Cohesion Fund, the European Social Fund (ESF) and various Community initiatives (such as URBAN and EQUAL). The separate funding regime under Leonardo da Vinci programme (now subsumed under the Lifelong Learning Action Programme) also touches upon issues relating to changes in the labour market and employment. From 2007-2013, as we describe below, the Structural and Cohesion Funds have been simplified into three predominant initiatives. This appendix describes the main features of these funds. The eligibility criteria for funding under the different streams are such that there are significant gaps in provision with regards to redundancy and restructuring. This appendix thus highlights the added value of the EGF beyond existing European funding streams.

5.2 The Structural and Cohesion Funds

The Structural Funds, which were established to promote economic and social cohesion within the EU represent the most significant source of EU funding after the Common Agricultural Policy. The 2000 – 2006 programme had an allocation of €13 billion, with 94 per cent of funding directed towards three priority objectives:

- Objective 1: Helped regions whose development is lagging behind to catch up.
- Objective 2: Supported economic and social conversion in industrial, rural or fisheries dependent regions facing structural challenges.
- Objective 3: Helped modernise systems of training and education and promote employment. Objective 3 funding is not available to regions that already have Objective 1 status.

The recently approved system of funding for 2007-2013 is outlined in Table 5.1 below. The key aim of the new Cohesion Policy Architecture is to simplify the funding regime around just three key objectives and three key instruments (the ERDF, the ESF and the Cohesion Fund).

Table 5.1 The Cohesion Policy Architecture				
 2000-2006			2007-2013	
<i>Objectives</i> <i>Community initiatives</i> <i>Cohesion Fund</i>	<i>Financial Instruments</i>		<i>Objectives</i>	<i>Financial Instruments</i>
Objective 1: Regions lagging behind in development terms	ERDF ESF EAGGF guarantee – EAGGF Guidance – FIFG	81.5% of funds	Convergence	ERDF ESF Cohesion Fund (will also include Urban II and Equal)
Cohesion Fund	Cohesion Fund			
Objective 2: Economic and social conversion zones	ERDF ESF	16% of funds	Regional Competitiveness and employment	ERDF ESF (will also include Urban II and Equal)
Objective 3: Training systems and employment policies	ESF			
Interreg III	ERDF	2.5% of funds	European Territorial Co-operation	ERDF
URBAN II	ERDF			
EQUAL	ESF			
Leader	EAGGF Guidance -			
Rural development and restructuring of the fishing sector beyond objective 1	EAGGF-Guarantee FIFG			
4 objectives 4 Community Initiatives Cohesion Fund	6 instruments		3 objectives	3 instruments

The total budget for the 2007-2013 Structural and Cohesion Fund is €347 billion (in today's prices). This represents just over a third of the whole EU budget. Under the new regime the rules governing the previous Structural and Cohesion Funds have been harmonized. A key concern of the new regime is to direct funding more strategically towards the revived Lisbon agenda of growth and competitiveness. The funding is allocated across three new priority objectives: convergence, regional competitiveness and employment and European Territorial Co-operation.

1. Convergence Objective: This objective is aimed at speeding up the convergence of the least-developed member States and regions by improving conditions for growth and employment through increasing and improvement of the quality of investment in physical and human capital, the development of innovation and of the knowledge society, adaptability to economic and social changes, the protection and improvement of the environment and administrative efficiency. The bulk of the funds, some 81.5 percent, are directed towards this priority objective. The objective broader corresponds with Objective 1 status under the previous region and is available for those regions with a GDP below 75 percent of the EU average. There is also some transitional funding available for those regions that now have a GDP below 90 percent of the EU average. The bulk of this money will be directed at the new Member States; for example, Poland will be the major recipient. All three financial instruments will target this objective.

2. Regional competitiveness objective: This objective offers funding for those outside the least-developed regions and not covered by the Convergence objective. It is aimed at strengthening regions' competitiveness and attractiveness as well as employment by anticipating economic and social change, including those linked to the opening of trade, through the increasing and improvement of the quality of investment in human capital, innovation and the promotion of the knowledge society, entrepreneurship, the protection and improvement of the environment and the improvement of accessibility, adaptability of workers and business as well as the development of inclusive job markets. In total, 16 per cent of funding will be allocated to this objective under the ERDF and ESF funding protocols.

3. European Territorial Co-operation Objective: Just 2.5 per cent of the funds will be apportioned to this objective. It will be aimed at strengthening cross-border co-operation through joint local and regional initiatives, strengthening transnational co-operation by means of actions conducive to integrated territorial development linked to community priorities, and strengthening inter-regional co-operation and exchange of experience at the appropriate territorial level.

A key concern of the new funding regime is to allow Member States a higher level of autonomy to implement their operational programmes. However, programme design is to be more strategic and inclusive than in the past. First, the principle of partnership is extended to include the social partners and wider interest groups in negotiations concerning the use of Structural Funds. Second, it is incumbent on each Member State to develop a single overall strategy and vision for how they intend to utilize their funds. The key point being that funds are directed in a strategic way towards the EU priorities of promoting competitiveness and employment creation. This process is to be formally organized through a system of National Strategic Reference Frameworks, which are to be prepared on an annual basis by Member States in consultation with their partners and dialogue with the European Commission. There is to be an increased emphasis on monitoring and auditing under the new regime. Funding by Member State is outlined in Table 5.2.

Table 5.2: Indicative allocation by Member State 2007-2013 (current prices, million of Euros)

	CONVERGENCE			REGIONAL COMPETITIVENESS AND EMPLOYMENT		European Territorial Co-operation	Total
	Cohesion Fund	Convergence	Phasing Out	Phasing -in	Regional Competitive ness and Employment		
Belgium			638		1 425	194	2 258
Bulgaria	2 283	4 391				179	6 853
Czech Republic	8 819	17 064			419	389	26 692
Denmark					510	103	613
Germany		11 864	4 215		9 409	851	26 340
Estonia	1 152	2 252				52	3 456
Eire-Ireland				458	293	151	901
Greece	3 697	9 420	6 458	635		210	20 420
Spain	3 543	21 054	1 583	4 955	3 522	559	35 217
France		3 191			10 257	872	14 319
Italy		21 211	430	972	5 353	846	28 812
Cyprus	213			399		28	640
Latvia	1 540	2 991				90	4 620
Lithuania	2 305	4 470				109	6 885
Luxembourg					50	15	65
Hungary	8 642	14 248		2 031		386	25 307
Malta	284	556				15	855
Netherlands					1 660	247	1 907
Austria			177		1 027	257	1 461
Poland	22 176	44 377				731	67 284
Portugal	3 060	17 133	280	448	490	99	21 511
Romania	6 552	12 661				455	19 668
Slovenia	1 412	2 689				104	4 205
Slovakia	3 899	7 013			449	227	11 588
Finland				545	1 051	120	1 716

	CONVERGENCE			REGIONAL COMPETITIVENESS AND EMPLOYMENT		European Territorial Co-operation	Total
	Cohesion Fund	Convergence	Phasing Out	Phasing -in	Regional Competitive ness and Employment		
Sweden					1 626	265	1 891
United Kingdom		2 738	174	965	6 014	722	10 613
Interregional /Network Co-operation						445	445
Technical Assistance							868
TOTAL	69 578	199 322	13 955	11 409	43 556	8 723	347 410

Taken from European Commission 2007: 25

The three main funding instruments of the Structural and Cohesion Funds 2007-2013 are considered below.

5.2.2 The European Regional Development Fund (ERDF)

This is a key instrument of regional policy, designed to strengthen the economic and social cohesion of the EU by reducing developmental disparities between the regions. It aims to correct the main regional imbalances of the European Union. ERDF operates in all EU25 states, and finances the development of infrastructure, job creation, local development projects and aid for small firms. It aims to connect with other EU Funding Regimes, such as Framework 7, and also incorporate the Community Initiative URBAN from the 2000-06 funding regime.

The ERDF focuses its support on thematic priorities, the range reflecting the nature and concerns of each Member State with convergence, regional competitiveness and employment and European Territorial co-operation.

- *Convergence*: Under this objective, the ERDF will support sustainable integrated regional and economic development and employment by mobilizing and strengthening endogenous capacity through operational programmes aimed at modernization and diversification of economic structures and at the creation and safeguarding of sustainable jobs.
- *Regional competitiveness and employment*: Under this objective, the ERDF will support sustainable development strategies and the promotion of employment. It will focus on three priorities: Supporting innovation and the knowledge economy; environment and risk protection; access to transport and telecommunication services.

- *European territorial co-operation:* Under this objective, the ERDF will focus on three priorities: the development of cross-border economic, social and environmental activities; transnational co-operation; reinforcing the effectiveness of regional policy.

ERDF funding can be used to address the negative consequences of economic restructuring on communities, but as an instrument of regional policy is not designed to support measures aimed at relieving the consequences of redundancy for individual EU citizens.

5.2.3 The European Social Fund (ESF)

The ESF is the main financial instrument targeted at contributing to the EU's economic and social policy agenda around improving the quality of and access to employment. It supports Member States actions in:

- increasing the adaptability of workers and enterprises
- attracting more people to the labour market and making work a real option for all
- investing more, and more effectively in human capital
- strengthening the capacity and efficiency of administrations and public services. .

The link between the ESF and the Lisbon Strategy is strengthened under the new regime. The ESF priorities are therefore very closely attuned to the goals of the European Employment Strategy.

Within the framework of the Convergence and Regional Competitiveness objectives the ESF will support actions against the following priorities:

- improving the adaptability of workers, enterprises and entrepreneurs (this will be achieved through promoting lifelong learning and improve work organisation and skills)
- enhancing the access to employment and sustainable inclusion in the labour market of jobseekers and inactive people, preventing unemployment, in particular long-term and youth unemployment, encouraging active ageing and longer working lives, and increasing participation in the labour market (this will include improving the effectiveness of labour market institutions, such as employment services)
- reinforcing the social inclusion of disadvantaged people with a view to their sustainable integration in employment and combating discrimination in the labour market
- enhancing human capital
- promoting partnerships, pacts and initiatives in the field of employment and labour market inclusiveness
- The ESF will also support specifically under the Convergence objective:
- expanding and improving investment in human capital
- improving the institutional capacity and the efficiency of public administration and public services at national, regional and local level.

ESF funding could, therefore, be utilised indirectly to provide redundancy support, as part of initiatives to provide support to get back to the labour market, or remain in it. However, within the framework of active labour market policies, such initiatives would be likely to be in competition with others that addressed different themes, and would not automatically receive funding.

5.2.3 The Cohesion Fund

The Cohesion Fund has a budget of €70 billion and aims to strengthen economic and social cohesion in the Community, in the interests of promoting sustainable development, particularly in the domains of trans-European transport networks and the protection of the environment. It seems the Fund less amenable to support for redundancy announcements as a result of globalization.

5.3 Other Funding Sources

5.3.1 Community initiatives

Four community initiatives were previously supported Structural Funds, with two being of particular significance to redundancy and restructuring, the EQUAL and URBAN programmes. EQUAL was designed to develop new ways of combating discrimination and inequality within the labour market. The EQUAL programme was financed by ESF, and could be utilised for redundancy support programmes, but the programme was not dedicated to such initiatives, and in practice focused on initiatives designed to increase participation in the labour market by the economically inactive or disadvantaged. URBAN promoted the design and implementation of urban regeneration and sustainable development schemes in declining urban areas. Job creation schemes were eligible for funding through URBAN, but this initiative was funded by ERDF, and so was based upon territorial eligibility. The lessons from both programmes are incorporated into the new priorities for the ESF and ERDF respectively. However the initiatives themselves have now been incorporated under both the Convergence and Regional Competitiveness priorities.

5.3.2 Lifelong Learning Programme

The Lifelong Learning Programme (LLP) came into force on 1 January 2007 and runs until 31 December 2013. It has an allotted budget of €6, 970 Billion. The LLP subsumes a number of previous programmes (such as Leonardo da Vinci) under a single umbrella programme aimed at developing a more coherent set of actions within a simplified funding formula. The general objective of the LLP is to ‘contribute to through lifelong learning to the development of the Community as an advanced knowledge-based society, with sustainable economic development, more and better jobs and greater social cohesion, while ensuring good protection of the environment for future generations’.

The LLP programme has a wide range of specific objectives that fall within the remit of the Lisbon Agenda, the actions of the EES and the broader debates on making the European area of lifelong learning a reality. These include improving the accessibility and attractiveness of lifelong learning opportunities, fostering creativity and entrepreneurship, increasing participation levels in lifelong learning irrespective of disadvantage, improving the use of ICT for learning and disseminating good practice etc.

The LLP comprises four sectoral sub-programmes: Comenius, Erasmus, Leonardo da Vinci, Grundtvig. The first two programmes in simple terms cover teaching and learning at pre-school, school and higher education levels. The latter two, which are of more interest for this impact assessment, cover the education and learning needs of adult workers, and are considered in more depth below. The LLP also includes a Transversal Programme and the Jean Monnet Action.

Leonardo da Vinci: is the key instrument for implementing EU vocational training policy. The programme aims to facilitate occupational integration, improve the quality of training and access to this training, and to boost the contribution of training to innovation. As such, it contributes to active labour market policies within the EU. Twenty five per cent of the total budget has been allocated to this Programme. Leonardo da Vinci provides funding for following types of actions:

- Mobility (transnational work placement and trainer exchanges)
- Partnerships on themes of mutual interest (60 per cent of the budget is allocated to the first two action, mobility and partnerships)
- Improving training systems through transfer, and development, of innovation
- Thematic networks of experts, working on specific issues related to vocational education and training
- Any other initiatives

It is important to note that whilst a number of the LdV funding streams have the capacity to be utilised for projects providing training as part of redundancy support initiatives, such initiatives would be likely to be in competition with others (such as Transnational Networks and reference materials) that do not have this focus. Furthermore, LdV supports only trans-national activity. It could not therefore be utilised to provide redundancy support in a single locality or member state.

Grundtvig Programme: This has allocated 4 per cent of the total LLP budget and aims to address the teaching and learning needs of those in all forms of adult education, as well as the institutions and organizations providing or facilitating such education. Its specific objectives focus on 'responding to the educational challenge of an ageing population in Europe' and 'providing adults with pathways to improving their knowledge and competences'. The actions are broadly similar to those under the Leonardo Programme and accordingly it suffers from the same weaknesses in assisting those made redundant from specific acts of organizational restructuring.

5.3.3 Framework 7

This is the main research funding regime of the European Community, launched in 2007. Funds under Framework 7 could be used to support aspects of the Cohesion Policy Architecture and the specific concerns of the Convergence and Regional Competitiveness Priorities. Projects funded in relation to socio-economic concerns and the promotion of employment growth and competitiveness will consider issues of concern in relation to the EGF.

However, the funds themselves will not be used to assist individual workers made redundant. Rather the Funds will have utility in understanding the patterns and processes of globalization and the potential causes, impacts and consequences of redundancy. It would seem logical for a number of Framework 7 research projects to focus specifically on, first, the key issues underpinning the EGF, and second, the actual impact and value of the EGF on the ground. In this regard, research projects funded under FP7 could provide valuable data that assists with the ongoing monitoring and evaluation of the EGF.

5.4 Conclusions

This appendix has provided an analysis of existing EU funding streams which have the capacity to finance redundancy support initiatives within the framework of regeneration programmes or active labour market policies. The analysis shows that there is no dedicated funding stream financing the provision of redundancy support measures. There is no instrument that has the flexibility to provide ‘tailor made’ initiatives providing *both* pre and post redundancy support measures. The key point here is the EGF can provide a rapid response to redundancy that is just not possible under the provisions of the Cohesion Policy Architecture, and within a framework that is specifically European in nature. It will provide an important set of resources to complement the provisions supported under the Convergence and Regional Competitiveness priorities. Furthermore, there will be fewer resources available to fund initiatives designed to reduce the impact of restructuring within the EU15 once the 2007-2013 Structural and Cohesion Funds programme is underway. In conclusion, the EGF is likely to provide significant added value beyond current EU funding streams.

APPENDIX 6 - COLLECTIVE REDUNDANCY ARRANGEMENTS BY MEMBER STATE

6.1 Introduction

Concern over the impact of industrial restructuring since the 1970s provided the imperative for the development of EU 'Collective Dismissals Directive'. This directive offers a definition of collective redundancy and sets out the basic provision to be followed by member states in such situations. In the Netherlands, Ireland and the UK compliance with the EU regulation provides the basis of national level provision. In other member states the national provision is often in advance of the EU regulations. The following appendix presents the collective redundancy arrangements across the EU member states. The data in the appendix are drawn from employment directives published in each national state and National Action Plans and from various European Industrial Relations Observatory reports. The appendix thus sets out the legal provisions in Member States. The actual practice of redundancy can only be explored through more intensive analysis of individual countries, sectors and companies, in which these legal provisions are considered as one part of a broader institutional framework that shapes and constrains the actions of individual actors in different countries. Appendix 7 provides such an intensive analysis for the European steel sector. In the current appendix, national level provision is explored across seven key criteria (see Table 6.1). The appendix reveals the variation in redundancy provision across Europe. It also highlights key examples of best practice in relation to redundancy from different European countries. It is argued that these best practices should inform the development of the EGF, particularly in relation to the engagement of multiple stakeholders and the developments of interventions and support in both the lead up to and the period following redundancies.

6.2 EU regulation on collective redundancy

The EU defines a collective redundancy as 'dismissals effected by an employer for one or more reasons not related to the individual workers concerned...' (see the Collective Dismissals Directive, in Council Directive 75/129/EC, amended in Council Directive 98/59/EC). According to the European Industrial Relations Observatory, the Collective Dismissals Directive was stimulated by rises in plant closures and large-scale redundancies following economic restructuring in the 1970s (EIRO, 2005). The Directive covers: collective redundancies taking place over a period of 30 days involving 10 or more workers in firms with between 20 and 99 workers, 10 per cent or more of workers in establishments normally employing at least 100 to 299 workers or 30 or more workers in establishments with 300 or more workers; or collective redundancies over a period of 90 days, at least 20 workers (see Council Directive 98/59/EC). The EU Collective Dismissals Directive requires that an employer must consult with worker representatives prior to collective redundancies, and must consider alternatives to redundancies with worker representative. Amendments to the Directive in 1992 and 1998 have also placed requirements on restructuring firms to notify worker representatives of the criteria by which workers are to be selected for redundancies and the method for calculating any redundancy payments, other than those arising out of national legislation and/or practice (see EIRO, 2005).

6.3 Collective redundancy regulations in individual European countries

Table 6.1, which can be found at the end of this appendix looks at collective redundancy provisions in all 25 EU countries, along 7 dimensions: the definition of collective redundancy; the notice period provided to redundant workers; the involvement of labour market and state agencies in the redundancy process; the extent of consultation with employee representatives; action prior to redundancy; the provision of retraining opportunities; and compensation arrangements for redundant workers. These criteria are described in more detail below, and examples of best practice across Europe in the regulation of redundancy are highlighted.

6.3.1 Definition of collective redundancy

Arrangements in many countries mirror the graduated scale for defining collective redundancies according to the size of establishment. The level at which the scale begins is in several cases lower than the EU minimum of 10 workers in a firm with a workforce of between 20 and 99. In France for example, national provision can apply to redundancies involving 2 to 9 workers. Similarly, in Portugal the loss of 2 workers from a workforce of less than 50 counts as collective redundancy. Redundancies involving five workers can trigger national arrangements in Austria, Germany, Greece, Italy and Sweden. In Luxemburg the loss of seven or more workers is classed as collective redundancy. The time frame over which redundancies are made is the other key criteria for defining whether they are counted as collective redundancies. The graduated scale in the EU directive operates on a 30 day timeframe, which is extended to 90 days for redundancies effecting 20 or more workers. In Italy however, this timeframe is extended 120 days and applies to redundancies affecting as few as five workers in workforces of over 15 people.

6.3.2 The notice period provided to workers

In Belgium there is a minimum 30 day notice period provided to workers affected by redundancy. In Portugal there is a minimum of 60 days notice required before collective redundancies can be implemented. In several other countries the notice periods are staggered according to the employee's length of service. For example, in Estonia workers with less than five years service are entitled to two months notice, whereas workers with five to ten years service receive three months notice and workers with over ten years service, four months notice. The arrangements in Malta approximate to one weeks notice for every year of service, up to a maximum of twelve weeks. In Sweden and Denmark the scale of redundancies determines the length of notice employees are given: between two and six months in Sweden, and up to eight weeks in Denmark if more than 50 per cent of the workforce or 100 workers are effected.

6.3.3 Involvement of labour market and state agencies in the redundancy process

The level and nature of involvement of labour market and state agencies varies considerably across member states. In most countries employers are obliged to inform the local employment office of redundancies, in Austria and Belgium for example this notification must occur at least 30 days prior to the dismissals. The role of local employment offices varies across member states. In some cases local employment offices have a more proactive involvement in the redundancy process, for example in Austria they work with employers and unions to explore alternatives to redundancies. In Sweden employment offices work with employers and unions in drawing up plans to help find alternative employment for redundant workers.

In addition to local employment offices, employers may be obliged to provide details of redundancies to a range of other local and central governmental bodies. For example, in Cyprus employers must provide the Ministry of Labour and Social Insurance with details of the reasons for redundancies, numbers and categories of workers involved, the timescales for redundancy, the selection criteria used and compensatory severance pay arrangements.

In France, employers must provide the Labour Inspectorate with a social redundancy programme, which explores possible alternatives to redundancy, sets out the assistance provided to displaced workers in finding alternative employment, and details the compensation provided to redundant workers. In Slovakia, employers must negotiate with the National Labour Office over conditions for maintaining employment, the possibility of finding employment elsewhere for redundant workers and the possibility of re-employing redundant workers if they are retrained.

In terms of proactive initiatives to encourage and facilitate the transition of redundant workers into alternative employment, there are interesting examples offered in Italy and Sweden. In Italy redundant workers are placed on labour mobility lists from which employers are encouraged to recruit workers through the provision of a subsidy. In Sweden special provision is made for displaced workers over the age of forty, who may find the transition into alternative employment particularly challenging. These workers are provided with personal advisors and retraining programmes by the Council for Redundancy Support and Advice.

The evidence presented in Appendix 7 outlining the responses to collective redundancies in the steel industry, suggests that the early notification of state and labour market agencies, and their proactive engagement in the redundancy process can bring advantages in terms of dealing with the consequences of redundancy and helping people make the transition into alternative employment.

6.3.4 Extent of consultation with employee representatives

The EU Collective Dismissals Directive requires that an employer must consult with worker representatives prior to collective redundancies, and must consider alternatives to redundancies with worker representatives.

In Malta, employers must notify employee representatives, before issuing redundancy notices. Within seven working days of notification employers must provide employee representatives with all information relevant to the redundancies, then consult over ways of avoiding or reducing the redundancies, and consult over the impact of the redundancies. In Latvia, such discussions must also cover measures to facilitate re-employment such as training. In Luxemburg, a consultation period of at least 75 days must occur. Failure to follow this procedure entitles workers to unfair dismissal payments or reinstatement.

In countries with statutory consultation mechanisms in the form of Works Councils national arrangements are more developed than the minimum required by the directive. In Austria consultation with the Works Council, including the discussion of alternatives to redundancy, is mandatory.

In France employers must provide Works Councils with a social redundancy programme exploring possible alternatives to dismissal, setting out the assistance provided to displaced workers in finding other employment, and the compensation provided to redundant workers. In Germany also, employers must conclude a social plan with Works Councils to minimize the economic and social consequences of the redundancies. This has the same legal status as a works agreement. Where disagreements occur, a conciliation board can impose a social plan on the employer. In Spain the drawing up of a social plan again provides the basis for negotiation and consultation between employers and employee representatives.

In Sweden unions and employers, in conjunction with employment offices, must draw up plans to help find employment for displaced workers. This approach is underpinned by 'Adjustment agreements', similar to collective agreements, which provide income to facilitate the transition between redundancy and new employment. Similarly in Finland employment programmes are prepared for workers threatened with redundancy, through cooperation between employers, employees and public authorities.

Research suggests that meaningful involvement of employee representatives at the earliest possible stage of the process and sustaining this involvement in a multi-agency response to redundancies brings considerable benefits in easing the impact of job losses and facilitating the transition of workers into alternative employment. This is supported by the evidence from the steel industry presented in Appendix 7.

6.3.5 Action prior to redundancy

As outlined in the previous section, the drawing up of social plans or employment programmes aimed at alleviating the effects of collective redundancy and facilitating the transition into new employment is common to several countries. The Employment programme in Finland, designed to help find new work through training and education possibilities, supervision of the re-employment process and economic support, provides a notable example. There are other notable national initiatives relating to action prior to redundancy aimed at easing the transition into other employment. In Portugal workers who are threatened with redundancy have the right to paid time off, two days a week, to find alternative employment. Furthermore, such workers have special resignation rights whereby only three days notice can be given by employees in the lead up to redundancy.

Similarly, in Slovenia workers who are facing redundancy are entitled to a paid leave of absence for a minimum of two hours per week to facilitate their search for new employment.

The evidence from restructuring in the steel industry described in Appendix 7 points to the importance of providing time off for workers facing redundancy to engage in job-search activities and allow access to support services. Such opportunities can therefore play a vital part in facilitating the transition into alternative employment.

6.3.6 Provision of retraining opportunities

In many countries the issue of retraining of redundant workers to facilitate their transition into alternative employment is covered by the consultation process and the development of social plans. The degree of compulsion relating to the consideration of retraining provision varies however. In Cyprus, retraining may be provided in consultation with employee representatives. In Latvia retraining to facilitate re-employment must be considered in consultations between employer and employees representatives. In France retraining agreements must set out the provision and financial support for retraining displaced workers. In several member states consideration of the retraining provision made available to redundant workers is included in the social plan or employment programme drawn up by the employer, often in consultation with employee representatives and local state or labour market agencies. These state and labour market agencies may also play a role in the actual provision of training. For example, in Sweden the Council for Redundancy Support and Advice provides retraining for displaced workers over the age of forty.

Retaining represents an important vehicle for enhancing employability and facilitating the transition into alternative employment. Examples of good practice point to the involvement of multiple stakeholders, trade unions, and state and labour market agencies in the promotion and provision of training.

6.3.7 Compensation arrangements for redundant workers

In many Member States the provision of compensation in the form of severance payments is graduated by length of employment, although there is considerable variation in terms of entitlement. For example, in Slovenia a redundant worker with less than five years service is entitled to 30 days pay, an equivalent amount would be paid in Latvia, whereas in Estonia such workers would receive two months pay. At the upper end long serving workers may reach maximum entitlements of four months wages in Latvia and Estonia, six months wages in Lithuania, or 150 days wages in Slovenia. Interestingly, in Slovenia redundant employees have the preferential right to employment if their former employer recruits new staff within one year of the collective redundancy, providing they fulfill the conditions for carrying out the work. The financial compensation system in Italy offers an alternate approach. 'Availability allowance payments' are available to displaced workers for up to a year following collective redundancy. The amount paid is the equivalent of up to 80 per cent of the redundant worker's final wage. Interestingly, although this allowance is paid by the state it is financed by employer contributions.

Elsewhere compensatory payments may be negotiated by employee representatives. In Malta there is no statutory provision for severance payments, but it is common practice in cases of collective redundancy for trade unions and individual employers to negotiate severance payments. Such measures may also be enshrined within extant collective agreements. In Cyprus payments in excess of statutory minimum may be negotiated by employee representatives. Again the 'Adjustment agreements' in Sweden provide income to facilitate the transition between redundancy and new employment and the Council for Redundancy Support and Advice offers further financial assistance for displaced workers over the age of forty.

6.4 Conclusion

This Appendix has examined EU-level regulations covering collective redundancy situations and country-specific regulations. The analysis has identified a number of key examples of best practice in the regulation of redundancy that can inform the development of the EGF. Examples of good practice point to the importance of a multiple stakeholder approach and their early involvement in the redundancy process. This includes meaningful consultation with employee representatives - both at an early stage and on an ongoing basis. Examples of good practice also suggest a vital role can be played by labour market and state agencies in the redundancy process. Crucially, initiatives to facilitate reintegration in the labour market must be in place both before and after the event of redundancy. These initiatives include: allowing time off prior to redundancy to facilitate transition through job search, retraining and access to support services; and providing financial support for retraining both before and after redundancy.

Table 6.1: Collective Redundancy Arrangements by Member State

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Austria	Affecting at least 5 employees in establishments with 21-99 employees, at least 5% of the workforce in establishments with 100-599 employees or at least 30 employees in establishments with 600 or more employees		Local Employment Office must be informed 30 days prior to redundancies. Consultation to explore alternatives to redundancies.	Consultation with Works Councils mandatory. Alternatives to redundancies must be explored.	Social Plans to alleviate effects of collective redundancy must be drawn up	Funding provided for retraining subject to social Plan	Severance payments provided
Belgium	National-level legislation in line with the EU Collective Dismissals Regulations.	Minimum 30 day notification	Local Employment Office must be informed in advance	During notification period employee representatives may object to proposals.			50% of difference between wages and unemployment benefits for up to 4 months.
Czech Republic	Over 30 day period, at least 10 employees in enterprises employing 20-100; 10% of workforces numbering 101-300; 30 employees in those employing over 300		Employers obliged to provide local Employment Office with details of redundancies and commencement of consultation with unions.	Consultation on measures to prevent or reduce dismissals and possibilities of redeployment.			

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Cyprus	At least 10 employees in undertakings normally employing more than 20 but less than 100 at least 10% of the workforce in undertakings normally employing between 100 and 300 at least 30 employees in undertakings normally employing at least 300		Details of redundancies (reasons, numbers, categories of workers, timescale, selection criteria, severance pay) must be provided to Minister of Labour and Social Insurance	Employee representatives must be consulted in good time and provided with details of redundancies. Agreements are sought on possible measures to prevent, reduce or ease consequences of redundancy such as redeployment or retraining.		Retraining may be provided in consultation with employee representatives	Severance pay over and above the level prescribed by statute may negotiated with employee representatives
Denmark	Follows EU Collective Dismissals Directive	8 weeks notice must be given where redundancy effects >50% of workforce or >100 employees.					
Estonia	Applies to all situations where redundancies occur in establishments where 5 or more employees are normally engaged	Based on service: <5 years service = 2 months notice. 5-10 years service = 3 months notice 10 or more years = 4 months notice	Employers obliged to inform local Employment Office of details of redundancies	Employers obliged to inform local trade unions. Unions can postpone redundancies for up to 3 months if employees cannot be redeployed			Based on service: <5 years service = 2 months pay. 5-10 years service = 3 months pay 10 or more years = 4 months pay

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
France	In addition to EU provisions national legislation covers collective redundancies involving 2-9 employees		Employers must provide Labour Inspectorate with social redundancy programme exploring possible alternatives to dismissal, assistance in finding work and compensation	Employers must provide Works Council with social redundancy programme setting exploring possible alternatives to dismissal, assistance in finding work and compensation	Employer obliged to develop social redundancy programme setting exploring possible alternatives to dismissal, assistance in finding work and compensation	Retraining agreements must set out provision and financial support for retraining displaced workers	
Finland	National level provisions cover collective redundancies involving 10 or more workers.		Public authorities involved in drawing up employment programmes in cooperation with employers and employee representatives	Union representatives may not be selected for dismissal first. Collective agreements determine 'last in, first out'	Employers must develop Employment Programmes to help find new work. These cover training and education possibilities , supervision of the re-employment process and economic support	Retraining covered by Employment Programmes	
Germany	5 or more workers in enterprises with less than 50 employees and 10% of the workforce in larger firms.	Information on proposed redundancies must be provided to worker representatives at least one month in advance		Employers must conclude a social plan with Works Councils to minimize the economic and social consequences of the redundancies. This has the same legal status as a works agreement. Where disagreements occur, a conciliation board can impose a social plan on the employer.	Social plan developed to minimize the economic and social consequences of redundancies		

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Greece	5 or more dismissals in enterprises with 20-50 employees, and 2-3 per cent of the workforce or 30 or more dismissals in the case of enterprises with 50+ employees.				The development of social plans and redundancy programmes in the event of collective redundancies are not commonplace		
Hungary	At least 10 employees from workforces of less than 100. At least 10% from workplaces employing at least 100 but less than 300. At least 30 employees from enterprises employing more than 300						
Ireland	National-level legislation in line with the EU Collective Dismissals Regulations.						
Italy	Employers with more than 15 employees who intend to dismiss at least 5 employees over a period of 120 days		Redundant workers are placed on 'labour mobility lists'. Employers that recruit workers from these lists are entitled to subsidies				'Availability allowance payments', for up to a year following collective redundancy, up to 80% of final wage. Paid by the state, but financed by employer contributions

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Latvia	Reduction over a 30 day period of at least 5 employees from a workforce of 20-30. At least 10 employees from a workforce of 51-99, at least 10% of workforce of 100-300 and at least 30 from workforce over 300.		Employers are required to give 60 days notice of collective redundancies both to the State Employment Agency, and the local authority	Employers have duty to consult employee representatives in good time to agree process, numbers involved, social guarantees for those affected and to consider measures to facilitate re-employment such as retraining.		Retraining to facilitate re-employment must be considered in consultations between employer and employees representatives	Severance pay based on service: <5 years = 1 month's earnings; 5-10 years = 2 months earnings; 10-20 years = 3 months earnings; over 20 years = 4 months earnings.
Lithuania	10 or more employees from workforce of up to 99 employees; >10% of workforce of 100-299; 30 or more of workforce >300.		Employers must give two months notification of the redundancies to the territorial employment office and the municipal institution	Employers must give two months notification of the redundancies to representatives of the enterprise's employees. Employers are obliged to consult with employee representatives in order to avoid or reduce the negative effects of the intended redundancies before issuing redundancy notices to the employees concerned.	Consultation to reduce the negative effects of redundancies must take place prior to the issuing of notice.		Severance pay based on service: <12 months = one months wages; 12-36 months = 2 month wages; 36-60 months 3 months wages; 60-120 4 months wages; 120-240 months = 5 months wages; over 260 months = 6 months wages.
Luxemburg	Collective redundancy provisions cover redundancy situations involving 7 or more employees.			A consultation period of at least 75 days must occur. Failure to follow this procedure entitles workers to unfair dismissal payments or reinstatement			

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Malta	Reduction over a 30 day period of 10 or more employees from a workforce of 21-100; 10% from workforce of 100-300; 30 or more from workforce >300	Notice period staggered by length of service approximating to 1 week per year of service up to a maximum of 12 weeks. Longer periods of notice may be agreed by the employer and employee in the case of technical, administrative, or managerial posts.	Employers must notify the Director responsible for Employment and Industrial Relations of any proposed redundancies before issuing redundancy notices	Employers must notify employee representatives, before issuing redundancy notices, and within seven working days of notification consult over ways of avoiding or reducing the redundancies, and the impact of the redundancies. Within the seven day period employers must provide with all information relevant to the redundancies including numbers; the selection criteria; the timescale and the level of severance pay.			There is no statutory provision for severance payments, but it is common practice for trade unions or individual employers to negotiate or offer severance payments in specific cases, especially in matters of collective redundancy. Such measures may also be enshrined within extant collective agreements.
Netherlands	National-level legislation in place in line with the EU Collective Dismissals Regulations.						

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Norway	National-level legislation in place in line with the EU Collective Dismissals Regulations, with additional provision for older workers displaced by restructuring (see 'Compensation')						Many private sector collective agreements include a severance pay scheme for older employees (over 50 years of age, and less than 62) with 10 years of service. This is funded jointly by employers and employees and provides a lump sum following displacement due to restructuring.
Poland	10 or more employees form a workforce of <100; 10% from workforce of 100-299; 30 or more from workforce of >300.						Collective redundancies from a workforce of 20 or more: ,2 years service = 1 months pay; 2-8 years service = 2 months pay; more than 8 years = 3 months pay.

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Portugal	Provisions cover collective redundancies involving two or more employees in establishments with <50 workers and 5 or more employees in larger enterprises.	A minimum of sixty days notice must be provided before collective redundancies can be implemented.			Threatened workers have the right to paid time off to find alternative employment (two days per week). Special resignation rights whereby only three days notice can be given by employees in the lead up to redundancy.		Financial compensation dependent upon service
Slovakia	Reduction of 20 or more employees over a 90 day period.		Employers must negotiate with the National Labour Office on conditions for maintaining employment, the possibility of finding employment for redundant workers elsewhere and the possibility of re-employing redundant workers if they are retrained.	Employers are obliged to negotiate with trades unions or workforce representatives at least 1 month prior to the proposed redundancies over measures to limit the lay offs, re-deployment and measures designed to relieve the negative impact of redundancy. Employers are required to provide all necessary information to facilitate such negotiations. Out comes are reported to the National Labour Office.			Employees are entitled to severance pay equivalent to at least 2 months average earnings, rising to at least 3 months pay if they have at least five years service.

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Slovenia	Reductions over a 30 day period of 10 employee from a workforce of 21-99; 10% from workforce of 100-299; 30 employees from a workforce of 300 or more		Employers are obliged to inform employee the Employment Service as soon as possible of the planned redundancies	Employers are obliged to inform employee representatives as soon as possible of planned redundancies, and have a duty to consult in order to agree the selection criteria for redundancy; discuss possible measures designed to avoid or limit the numbers and discuss possible measures for lessening the impact of the redundancies.	Employees are entitled to paid leave of absence for a minimum of two hours per week to facilitate their search for new employment.		Based on service: <5 years = 30 days pay; at least 5 years = 45 days pay; at least 15 years = 75 days pay; at least 25 years = 150 days pay. Redundant employees have the preferential right to employment if their former employer recruits new staff within one year of the collective redundancy, providing they fulfill the conditions for carrying out the work
Spain				Negotiation and consultation on basis of social plan	A social plan must be drawn up by enterprises considering collective redundancies. This plan must specify the measures taken to avoid dismissals, including internal redeployment and work-sharing. The document forms the basis of negotiation during the consultation period		

	Definition of collective Redundancy	Notice period provided to redundant workers	Involvement of labour market and state agencies	Extent of Consultation with employee representatives	Action prior to redundancy	Provision of retraining	Compensation arrangements for redundant workers
Sweden	Collective redundancy provisions cover redundancies involving 5 or more workers	Between two and six months notice, determined by the scale of redundancies	Employment Offices involved (with employers and unions) in drawing up plans to help find alternative employment. The Council for Redundancy Support and Advice offers financial assistance, personal advisors, retraining programmes for displaced workers over the age of forty.	Unions, employers and employment offices draw up plans to help find employment for displaced workers. 'Adjustment agreements', similar to collective agreements, provide income to facilitate the transition between redundancy and new employment.		The Council for Redundancy Support and Advice offers retraining programmes for displaced workers over the age of forty	'Adjustment agreements', similar to collective agreements, provide income to facilitate the transition between redundancy and new employment. The Council for Redundancy Support and Advice offers further financial assistance for displaced workers over the age of forty.
United Kingdom	National-level legislation in place in line with the EU Collective Dismissals Regulations.						

Notes on Table 4.1: Data sources are: EIRO European Industrial Relations Observatory (2003) *Redundancy and Redundancy protection* reports for individual countries; European Industrial Relations Observatory (2005) 'Collective Redundancies' entries in Dictionary of Industrial Relations for each country, government publications and miscellaneous websites for individual countries.

APPENDIX 7 - A CASE STUDY OF RESTRUCTURING IN THE STEEL INDUSTRY

7.1 Introduction

The previous Appendix set out the legal provisions surrounding collective redundancy across Europe. These, along with other institutional arrangements, shape and constrain the actions of individual employers. Appendix 7 considers the practice of restructuring and redundancy through an intensive case study analysis of the European steel industry. The restructuring of key manufacturing sectors across Europe continues apace, as firms respond to global market imperatives. Nowhere is this more apparent than in the steel and metal sector, where global competition has led to increased international merger activity, the closure of plants and mass redundancies; trends that have intensified over the past three decades. Between 1993 and 2001 115 000 EU steel workers lost their jobs, and those remaining in the industry face an increasingly uncertain future given that restructuring is an on-going rather than discontinuous process (there have been two major takeovers of large EU steel conglomerates in recent years). Against this backdrop the employability of steel and metal workers, in terms of adapting to restructured working environments within existing companies or finding alternative employment beyond the steel and metal sector represents an important economic and social issue. The analysis reveals a number of innovative approaches adopted by social partners in particular countries to deal with restructuring in steel and facilitate the reintegration of displaced workers into the labour market. This analysis points to important lessons that might be incorporated into the operation of the EGF.

7.2 The European steel industry in the global context

European steel production accounted for over one quarter of total global production in 1970, but had declined to less than one fifth by 2001. The main area of production growth during the last decade was China, where production levels have more than doubled. During this period, China's share of world trade increased by over 80 per cent, with the rest of Asia experiencing an increase of over 73 per cent. The European Union, former Soviet states and the rest of Europe, by contrast, all experienced reductions in their share of global trade during the same period as shown in Table 7.1 below. In 2002, the only EU member states represented in the top ten steel producing countries were Germany and Italy.

Table 7.1 The geographic distribution of World steel production 1991-2001

Geographic zone	Production percentage in 1991	Production percentage in 2001	Change in share (%)
European Union	20.2	18.9	-6.4
Ex – USSR	18.0	11.8	-34.4
Rest of Europe	6.7	5.4	-19.4
NAFTA	13.7	14.0	+2.2
China	9.6	17.6	+83.3
Japan	14.9	12.1	-35.6
Rest of Asia	9.0	11.6	+73.3
Others	7.9	8.6	+8.8

Source: International Iron and Steel Institute Reports (IISI)

7.3 Employment in the European steel industry

Over the course of the past thirty years, the number employed in the European steel industry has declined by nearly three-quarters, from approximately 1 million in the early 1970s to just 270 000 in 2001. The pace of decline has increased during the last fifteen years, largely as a result of changes in global production and trade patterns. 48 500 jobs have been lost in steel in Germany alone since 1993, representing a 39 percent decline in employment levels. Similar reductions in employment have taken place in Spain and the United Kingdom as shown in Table 7.2 below.

Table 7.2: Employment in the European steel industry and main producing countries, 1993-2001 (thousand)

	1993	2001	Change (%)
EU total	385.0	270.0	-29.87
Germany	126.4	77.9	-39.37
Italy	51.0	38.4	-24.70
France	41.6	37.9	-8.90
Benelux	48.3	35.5	-26.50
UK	40.7	24.1	-40.79
Spain	35.0	21.9	-37.43

Source: adapted from Laso Ayuso (2003)

The social costs of these developments were initially mitigated by the support packages offered by the European Coal and Steel Community (ECSC) treaty. The ECSC treaty formally ended in 2002, but it is clear that the restructuring processes within the steel and metal sector are ongoing and the employment base in the industry is likely to decrease further in the coming years.

The latest findings show that some 2.6 million workers are employed in the metal sector in the 10 New EU Member States. The three largest industries are located in Poland, Romania and the

Czech Republic. The enlargement process will have a dual impact on the sector: first, industrial restructuring will take place within the new member states as steel and metal concerns are faced with increasingly global competitive pressures; second, the dynamics of competition will impact on productive capacity within the EU15, as employers look to the new member states to take advantage of lower labour costs, since in 2000 labour costs in Eastern Europe were, on average, 11.5 percent of the EU15 average. Yet given the numbers employed in the new member states, the shake out of manufacturing in these countries is likely to lead to huge levels of labour retrenchment. In some cases, this retrenchment has already begun. For example, employment in the iron and steel industry in Poland declined from 123 000 workers in 1993 to approximately 36 000 in 2001. Many of these workforce reductions, however, were achieved through transfers to subsidiary companies that are now also facing potential restructuring, and in some cases closure. Thus, as Towalski (2003) notes, 'the industry has not reached the end of its road to restructuring, and further redundancies seem certain'.

7.4 The economic and social impact of restructuring in steel

The steel industry is geographically concentrated. Steel producers have tended to be the main employer in particular localities, leading to the development of occupational communities in which several generations within many families are employed at the same plant. The economic and social effects of restructuring have therefore impacted heavily in specific communities, and have been exacerbated by attendant job losses in upstream and downstream sectors. In South Wales, for instance, where restructuring within the sector resulted in the loss of over 3 000 jobs between 2001 and 2003, each Corus job supports another job within the local economy, and every £1,000,000 of Corus direct wage income supports wages worth a further £700,000 (House of Commons, 2003; cited in Greenwood et al., 2004). Broader macro-economic studies have highlighted the consequences of regional de-industrialisation on unemployment and inactivity rates. Rowthorn (2000) for instance, argues that in those areas experiencing the most intense de-industrialisation, high levels of premature retirement and long-term illness amongst older men and those without formal qualifications are reflected in high levels of economic 'inactivity' rather than unemployment amongst these groups. In the most depressed regions of the UK, which include many former steel production areas, for example, inactivity rates amongst men aged 55-64 are as high as 80 per cent.

Research suggests that displaced steelworkers throughout Europe exhibit many common characteristics; they typically have attitudes to work that reflect the principles of 'seniority'; take pride in having being steel or metal workers (see MacKenzie et al, 2006, for a discussion of the enduring nature of this identity); and subscribe to the male 'breadwinner' model. Similarly, steel workers often have few educational qualifications and have been employed within the industry throughout their working lives. They consequently have little knowledge of job search, or of sources of support that may be available in the event of restructuring. Throughout Europe displaced steelworkers have faced tight labour markets with few alternative jobs, particularly for older workers, yet many restricted their job searches to the local labour market, and the mobility of workers tended to be low. In countries such as Sweden and the UK this was influenced by a precipitous decline in the value of local owner occupied homes, but steel workers in many countries were often deeply attached to their region (Stuart, 2005). Given these factors, redundant steel workers have faced particular challenges in returning to the labour market.

The distress of displacement felt by steelworkers was made all the more acute when consultation arrangements were weak. In South Wales, for instance, employees and union officials were given no advanced warning of redundancy announcements. Indeed it was reported that many employees learned about the restructures affecting them via the local media (Greenwood et al, 2004). As a consequence, the trade unions were unable to prepare viable alternative strategic plans, and employees did not have the 'space' to think through alternative learning and employment opportunities. The same was true when social and employment protection was weak. Thus in the UK, workers displaced from Allied Steel and Wire lost not only their jobs, but also their pensions and enhanced redundancy payments, with older workers being particularly hard hit by these developments (Stuart, 2005).

7.5 Innovative responses to restructuring in steel

The European Commission's call for a European Area of Lifelong Learning clearly reflects the assumption that European businesses need to invest more in the development of human resources in order to respond to the pressures of global competition. Yet it is clear that learning is not part of workplace life for the majority of those employed in the European steel industry. This is particularly the case for lower skilled workers, even though such employees are more likely to experience the negative effects of restructuring within the sector. A further challenge exists because whilst lower skilled workers often lack both qualifications that demonstrate their competences and generic skills that can be utilised within other fields of employment, many also have negative experiences of initial schooling and a lower propensity both to demand, and engage in, post-compulsory learning.

Against this backdrop, recent research (Stuart, 2005; Trapmann and Stuart, 2005) has identified a number of initiatives within Europe that have succeeded in engaging lower skilled workers in learning activities in advance of redundancy, that have enabled them to increase their skills, and thus their employability both within and beyond the steel sector. We outline three such initiatives below:

7.5.1 Basic training for low qualified workers in the Netherlands

In 1999, trade unions and management at Corus in the Netherlands concluded an Employment Pact. One aspect of this was a training initiative; the 'Practical Craftsmanship Programme' (PCP), which was introduced against the backdrop of the potential future closure of one of the company's plants. The objective of the PCP was to improve the employability and organisational flexibility of existing workers without Level 2 qualifications. The training programme was therefore designed to accommodate the specific learning needs of low-skilled workers. This group includes many older workers since the average age at the site was then 46, and those with a negative school biography and poor levels of literacy.

The educational approach adopted was that of 'learning by doing', with workers being trained in small groups within the workplace training centre. Training was geared towards developing the ability of participants to solve practical workplace problems. Extra training was provided for those with basic skills deficiencies in reading, writing and arithmetic. Workers admitted to the programme first undertake an 8 week programme 'learning to learn', followed by 48 weeks of training at either Level 1 or 2 (depending on their age). Training takes place one day per week in the company's training centre, with each group of workers having a dedicated trainer. On the job coaching also takes place within the workplace.

The programme was viewed in positive terms by both workers and trainers, with the learning environment established by the programme and the role of the trainers and coaches being particularly favourably regarded.

Key factors for the success of the programme included:

- Team learning: The familiarity and trust between colleagues created a comfortable learning environment, this being especially important for those with little experience of structured learning. Peer support was a crucial factor in enabling workers develop enthusiasm for this and further learning.
- Learning without pressure to succeed: The learning emphasised developing employees' competence in problem solving without evaluation.
- Compensation: The programme operates in addition to normal shift patterns. The 'extra work' is compensated either financially or with time off in lieu.

7.5.2 Workplace Union Learning Representatives in the UK

In April 2003, a 'new breed' of trade union representative, the Union Learning Representative (ULR) gained statutory rights to undertake their duties as part of the working day. Some 8 000 ULRs have been trained to date, and ULRs currently operate within all unionised sectors of the UK economy. ULRs were originally conceived as learning mentors who would raise the demand for learning amongst the low skilled in particular, by promoting learning, and providing information and support to colleagues who wished to access learning opportunities. Recent research has revealed that ULRs have been highly successful with respect to these objectives (Wallis, Stuart and Greenwood, 2005). Yet in many instances the ULR role has embraced a broader range of functions including developing workplace learning resources and negotiating with employers over learning provision.

The Corus Scunthorpe plant is a large steel mill in the north of England where the organisation of work has been significantly restructured to increase flexibility, although the future of the plant is by no means assured. In response to an initiative from the craft union, a number of ULRs have been trained, and, from this, an on-site learning centre has been established, providing training in language, IT and computing skills for around 600 craft workers. The activities of the learning centre are supported by a bi-partite Learning Partnership Committee, established by a bi-partite learning agreement relating to craft workers. The learning agreement and the constitution of the learning centre both specify a number of objectives for workplace training and learning which include: the promotion of lifelong learning for steelworkers and their families; a partnership between unions, management and the national Trade Union Congress, for the furtherance of education and training; identification of learning needs and learning plans; training initiatives to consider the needs of the individual; development of individual development plans; and, crucially, management support for the work of ULRs.

The success of this initiative at Scunthorpe as elsewhere can be largely explained by the ULRs providing a bottom up approach to learning that is largely independent of management agendas, and sensitive to the needs and requirements of employees as they relate to skills and employability. In the UK, workplace training has historically been an area of managerial prerogative, yet it could be the case that employers become increasingly reliant upon the services ULRs can broker. Yet because ULRs have no statutory right to bargain with employers in relation to learning issues, their ability to institutionalise learning within the broader realms of social dialogue and link this to on-going debates around the issue of corporate social responsibility remains a challenge for the future.

7.5.3 Qualifications for low skilled workers in Germany: a regional approach

The Essling Model (ESMO) was established within the context of the tariff agreement on training introduced in Baden-Württemberg in 2001 (for the metal industry), which defines the right to further education for all those in employment. Directed towards lower qualified workers, the ESMO programme lasts for one year and has both theoretical and practical components. Training is based on a 35 hour week and includes both formal instruction at a training institution and workplace based learning. The programme was initiated by managers of medium-sized companies, the representatives of the employers' association and a local training institute in response to a projected fifty percent decrease in jobs for unskilled workers by 2010, with the anticipation being that much of this decline would be accounted for by such jobs being transferred to other countries. In these circumstances training was regarded as an instrument to improve the employability of lower qualified workers whilst also addressing concerns relating to the shortage of skilled workers. Participating companies funded the initiative, with support from the European Social Fund and Baden Württemberg Lander.

The ESMO programme was based on a learning network approach. Six companies participated in the programme, with each identifying a number of employees suitable for the programme. Companies were able to replace employees participating within the programme with an unemployed worker. ESMO participants are given intensive support from a company based 'godfather', typically a personnel manager or training officer. The 'godfathers' come together in the network, to facilitate dialogue between the companies.

The programme appears to have generated positive outcomes for both trainees and their companies. Many workers claimed that their self-confidence and workplace abilities had improved as a result of the programme. Nonetheless, it was perceived as challenging and many stated that they had to 're-learn how to learn'. Once through the programme participants' enthusiasm for learning was enriched and many were keen to undertake further learning. Initially, the ESMO programme was not accredited and participants therefore had to undertake further theoretical training in their own time to pass the certification exams. Due to demand for such certification, however, this has now been built into the programme. Since its inception, 213 lower skilled workers have passed through the programme, and a high number of them have received a 'skilled status' qualification. The success of the ESMO has led to it being copied in a number of other regions around Germany.

These three cases offer important insights into the types of mechanisms that can be successfully utilised to engage lower skilled employees with little experience of post compulsory education, in learning activities. Such workers are at particular risk of displacement as a result of restructuring programmes, and initiatives that enable them to increase their confidence, acquire new skills and improve their employability *in advance* of displacement therefore have an important role to play in ameliorating the effects of restructuring.

7.6. Post-redundancy support

The analysis above points to the importance of pre-redundancy interventions to facilitate reintegration of displaced workers into the labour market. Other initiatives highlighted in recent research (Stuart, 2005; Trapmann and Stuart, 2005), demonstrate that *post redundancy* provision has an equally important role in facilitating the return of displaced workers to the labour market. We highlight three innovative approaches to restructuring that focus on post redundancy provision here:

7.6.1 Becoming a nurse: a new career for Swedish steelworkers

The MALM pilot project conducted in the region of Solleftea between 2001 and 2003 trained over 100 unemployed steelworkers for employment in the healthcare sector. The region of Solleftea with a population of 21,000 is characterised by rising unemployment, business closures and the outward migration of the younger generation, yet the numbers of older people and those requiring personal care is rising. The rationale behind MALM was therefore to train those displaced from the labour market in the region for available positions in health care thus matching labour supply with demand.

Almost all the MALM participants were men aged between 40 and 55, although initially the project encountered significant resistance because of deeply embedded perceptions of what constituted acceptable male employment. These were overcome by the dedication of the project manager, who persuaded potential participants that it would be in their interests to join the programme as it would increase their chances of gaining employment. A career in health care also provided opportunities for participants to remain resident within the region; this being the main factor which motivated participants to join the programme. Participants received intensive support throughout their training, including that from workplace based mentors who were able to address residual psychological barriers.

The evaluation of the programme revealed that many participants had gained not only new skills, but also a more rounded appreciation of the nature of work within the healthcare sector. Many participants suggested that MALM had also enabled them to make lifestyle changes and access opportunities that would not have been possible if they had remained employed within the steel industry.

7.6.2 Trade union led learning partnerships in the UK

On-going restructuring in the UK steel industry prompted the main production union Community (formerly the Iron and Steel Trades Confederation) to consider new ways of servicing members who had lost, or were under threat of losing their jobs, in the industry. The union established Communitas (formerly Steel Partnership Training) as a separate training company to develop projects utilising external funding from the EU and UK government to help members cope with the experience of redundancy. Though union led, Communitas was consciously built around a network of partnerships involving local union branches, employers and other stakeholders including local employment offices and careers services, education providers, government departments and regional development agencies that deliver training and redundancy support services to members. The primary objective of Communitas activities is to enable displaced workers, but also those at risk of displacement, to develop transferable skills and increase their employability so that they are ultimately able to develop alternative career trajectories.

Communitas partnerships provide:

- A rapid response to redundancy: The organisation arranges events that bring together all relevant local agencies so that recently displaced workers can gain information on social benefit provision, learning opportunities and sources of labour market advice and guidance.
- Drop in facilities: Communitas establishes drop in centres close to the site of each plant affected by redundancies, staffing each with advisors who had previously worked in the steel industry themselves. The advisors provide information and guidance to redundant workers, and those under threat of redundancy, as well as informal counseling, as workers are able to discuss their concerns about the transition to alternative employment.
- Workplace learning facilities: Communitas has trained many Union Learning Representatives, who have gone on to establish learning centres at their place of work. Communitas learning centres are available for redundant workers, those still employed, their families and members of the broader community.
- Initial training: Communitas offers a number of basic training modules including the European Computer Driving License as a way of increasing members' skills and enthusing them to undertake further learning. Practical advice on writing job applications and curriculum vitae are also offered.
- Learner centred provision: The learning opportunities provided by Communitas are tailored to the needs of low skilled workers with little experience of post compulsory education.

Redundant workers accessing Communitas services reflected positively on the open door policy, the availability of immediate assistance and the automatic provision of ongoing support. Because most Communitas advisors were personally known to displaced workers, they were quickly able to build trust relationships which were of vital importance in the context of the dislocation experienced by such workers in the immediate aftermath of redundancy. Up to 79 percent of those accessing Communitas services returned to employment within local labour markets.

7.6.3 Transfer agencies in Germany

In Germany, transfer agencies are set up to support displaced workers in the aftermath of corporate restructuring (no matter what the sector). These bodies are established by the companies undertaking restructuring, but also involve the trade unions and local labour office. Following redundancy, individual workers would be offered an employment contract, typically of one year's duration, by the transfer agency to assist them through the period of transition to alternative employment. Transfer agencies offer support in labour market re-orientation, training and job placement. The cost of these activities is met by the state, and the companies concerned.

Steel workers made redundant at Hoesch Dortmund, for example, all registered with a transfer agency, which had originally been set up to assist those displaced following the restructuring of the nearby Thyssen Krupp steel plant. Employees signed an employment contract with the transfer agency for two years, during which time they earned 90 percent of their former income, partly financed by the job office and partly by the company. These arrangements provided workers with a safety net during which they were able to search for new jobs, undertake re-training or study for new qualifications. Employees unable to find employment within the two-year period are entitled to a severance payment. The key practical assistance offered by the transfer agency focused on applications for training and the placing of people in jobs. Over 80 per cent of the 865 Hoesch Dortmund employees that registered with the Transfer Agency were able to return to the labour market.

The financial assistance offered through the transfer agency made this an attractive approach as far as employees were concerned, since this gave them the 'space' to develop a better understanding of local labour markets and explore alternative careers, although there was a realisation amongst displaced workers utilising transfer agency services that the success of finding a new job ultimately depended on their own initiative.

There are many different approaches to the transfer agency concept within Germany, but those adopting a more active approach to employee support; providing services that facilitate their empowerment are more successful in terms of the rates of employees returning to the labour market. This approach is characterised by the following factors:

- Early intervention: The most successful transfer agencies were operational at an early stage within the restructuring process, consulting over their role in empowering individuals post redundancy. This often meant going beyond the basic fulfillment of any agreed social plan focusing on financial compensation, by fully supporting individuals in developing a new career orientation. As such the transfer agencies aim to create a better starting point for the search for new employment.

- Tailored support: Transfer agencies do not provide off the shelf training packages, but instead design bespoke career development programmes for each individual. For the first three months following displacement, transfer agencies focus on developing basic job search skills. Guidance is provided in relation to writing job applications, attending interviews, and understanding the labour market. Following this, workers are able to undertake vocational training in an area that would facilitate career change, complete internships within companies, or take on temporary work. Training is provided by regional training institutions and is designed to address individual needs and requirements. For example, the costs of working towards a driving license may be paid, if this would facilitate a worker entering the field of home medical care, where the chances of employment are good. Throughout their time at the transfer agency, workers can access refresher courses, and can receive advice on their job applications from professional counselors.
- Like for like support: Transfer agencies assign individuals to personal mentors drawn from their previous place of work. Typically members of the works council, such mentors are trusted by the workers, and because of their similar life experiences are able to empathize with the personal crisis associated with redundancy and restructuring, and discuss individual concerns about managing transition.

7.7 Conclusion: Lessons from the steel industry

The innovative national-level approaches that have developed in response to restructuring in the steel industry are of significant value in aiding understanding of how to respond to redundancy. The industry is a good one to look at, because it has been subject to significant trade-related adjustment in recent years, and the number of displaced workers has been considerable. This process is continuing as global concentration of the industry increases – the two largest EU steel makers, Arcelor and Corus were both taken-over by non-EU conglomerates in recent years. Responses to restructuring in this sector point to the crucial importance of early intervention, particularly in the period between the announcement and enactment of redundancies. Pre-redundancy provision has a key role in: increasing the confidence and self esteem of lower skilled workers in particular; enabling workers to develop the capacity to manage change; and enabling workers to engage with the concept of lifelong learning. This is especially important given firstly; that learning is key to the acquisition of new skills that are transferable to beyond the immediate employment context, and secondly; that the ability to learn is in itself perhaps the most transferable competence of all. Yet post redundancy support is also vital, since this can create a safety net providing ‘space’ for displaced workers to consider both alternative employment options, and learning opportunities that would facilitate the development of new career trajectories. Within this context the Communitas partnerships operating in the UK, and the transfer agencies in Germany in particular, point clearly to the superior outcomes that follow from interventions that straddle both the immediate lead up to, and the period following, redundancy. These specific initiatives then, offer a model upon which the European Globalisation Adjustment Fund could draw.

Yet the case of the steel industry also suggests that careful attention needs to be given to the design of support packages for displaced workers. The national-level initiatives identified are invaluable in highlighting best-practice in this respect, since they underline: the value of a multi agency approach to co-ordinate action; the need for tailored and intensive support which goes beyond the provision of ICT training and job search skills; the central role of trade unions in the provision of effective support; and the importance of early and ongoing interventions. The national level initiatives identified here also highlight the importance of employers adopting a socially responsible approach to restructuring. The success of pre-redundancy interventions in particular is dependent upon labour market agencies being able to gain access to workers on enterprise premises, and requires that employees are granted meaningful paid time off to access on-site support.

APPENDIX 8 - TRADE ADJUSTMENT ASSISTANCE (TAA): THE CASE OF THE USA

8.1 Introduction

This Appendix examines the operation of the TAA act in the USA. The EGF has been inspired, in part at least, by the TAA, a point that was detailed in the early impact assessment of the proposed European Globalisation Adjustment Fund. The TAA has been in place since the 1960s and an analysis of this fund offers some potentially important lessons for the operation of the EGF. The Appendix begins by outlining the features of the TAA. It then moves on to look at the outcomes of the TAA. The Appendix then offers an assessment of the TAA and draws out some lessons for the operation of the EGF.

8.2. Outline of the TAA

A system of trade-related assistance has been in operation for some time in the USA. The system was introduced in the US in the early 1960s as a result of the Trade Expansion Act, but due to its stringent criteria for support no claims were awarded under its remit until the 1970s. The programme was amended under the Trade Act of 1974, principally to allow applications to meet a revised set of criteria, and all subsequent changes relate back to this Act. For a period a related scheme was introduced, during the early 1990s, to assist workers dislocated as a result of the NAFTA trade agreement. This scheme was incorporated into the more general TAA scheme in a major revision to the program as part of the Trade Adjustment Assistance Act of 2002. The following only discusses the TAA.

The TAA provides aid to workers who lose their jobs, or whose hours of work and wages are reduced, as a result of increased imports. Workers who have been affected by increased imports can make direct petitions to the TAA, once their jobs have been certified as under threat – such certification typically takes the form of an employer application. The programme offers a variety of benefits and re-employment services to get workers out of unemployment and back into work. Services include: training, job search, relocation allowances (where a worker has to move more than 50 miles to take up a vacancy, they may receive up to 90 percent of expenses and a small lump sum up to \$1,250), income support and other re-employment services. There is a specific provision for rapid response assistance, which is administered at state level by a Dislocated Worker Unit. The dislocated workers ‘generally receive services through a consolidated services delivery structure called the one-stop system (GAO, 2006a: 7). Overall, the Programme is administered by the USA Department of Labor.

In order to obtain a certification to make an application under the TAA, the following criteria must be met:

- that workers have been totally or partially laid off, and
- that sales or productions have declined, and
- that increased imports have contributed importantly to worker layoff.

The process for triggering a claim under the TAA is outlined in some detail in, for example, a US General Accounting Office (GAO, 2001) report that explores the experience of six trade impacted communities. The process is typically triggered when a company gives notice of a plant closure or layoffs. A state level rapid response team would then meet with plant managers to review the proposed restructuring and layoffs and then identify the profiles of the affected workers. They then either certify or not the case as applicable for TAA support. The team would then return after the layoffs to give information to workers for how they can make a claim under the TAA. If a claim is not upheld, workers can obtain benefits and services from other job training programs such as the Workforce Investment Act (WIA). There is also a well codified appeals procedure.

8.3 Recent revisions to the TAA

As noted above, the specific provisions of the TAA were amended in 2002, as part of the Trade Adjustment Assistance Reform Act (see GAO, 2004: 8 for more detail). The key features of the TAA now include:

- Eligible workers also include secondarily affected workers of an upstream supplier or downstream supplier to a certified primary firm. It also covers workers affected by shifts of production to other countries.
- The review period for a petition is 40 days, down from 60 days. That is the Dept for Labour must process a claim within this period of time
- Workers must be enrolled in training within 16 weeks of separation, or 8 weeks after petition certification whichever is later.
- A training authorization of \$220 million per year for program participants (double the previous provision).
- On the job training customised to a specific employer's need.
- Income support for workers participating in training for up to 78 weeks. If the period for unemployment insurance is added to this, workers can be covered for up to 104 weeks.
- Workers are able to receive up to 104 weeks' approved training in occupational skills, basic or remedial education, or training in literacy or English as a second language. Workers engaged in remedial training can claim an additional period of income support, up to a maximum of 130 weeks.

The revisions under the 2002 Act have also added a range of provisions relating to health care insurance and coverage. This of crucial importance in a country like the US where there is a limited public health care system. Notably, there is also an added provision, the Alternative TAA Program, that covers impacted workers that are 50 years and older. Under this provision, 'some workers in firms with a significant number of workers over age 50 without easily transferable skills that find reemployment may choose (in lieu of other TAA benefits) to receive 50 per cent of the difference between their new salary and old salary for two years, up to a maximum of \$10K, and may also receive health care assistance'. The criteria around the lack of transferable skills are deemed by many analysts, however, to be problematic. It may often be the case, for example, that a worker will move to a similar type of firm but, due to the loss of seniority provisions, would have to take a lower wage.

According to the Dept of Labour's own analysis, the 'only workers who are likely to qualify for payments are those who take low-skill jobs at significant pay cuts' (see GAO, 2004: 32). A petition for support under the TAA must be fielded by a minimum group of three workers, or as a single signatory if it is a trade union or authorized representative (such as an employer, as noted above).

8.4 Outcomes of the TAA

Most of the data available on US government websites cover the very recent history of the Fund, specifically since 2000. However, Table 8.1 gives an overview since 1975, presented by decade prior to 2000 and by year post 2000. During the period since 1975, nearly 3.6 million workers have received assistance under the scheme. The high point in terms of workers appears to be the 1980s, with nearly 700, 000 workers receiving assistance during 1980 alone. However, over the period, it is clear that the number of certifications has risen decade by decade and it is likely that the period 2000-2009 will see more workers benefiting from the TAA than any previous decade. The provisions of the TAA have assisted workers primarily in the manufacturing sector. In recent years there has been some debate about extending the provisions of the TAA specifically to workers in the service sector – indeed a motion was raised on this in Congress. This has proved to be controversial. Analysts at the Heritage Foundation, for example, have argued strongly against this (see Froning, 2001), on the basis that the service sector continues to experience job growth. The assumption being that dislocated workers would have a ready supply of alternative employment options.

Table 8.1: Trade Adjustment Assistance (TAA) Estimated Number of Workers Covered by Certifications

Fiscal Year(s)	No of certifications	Estimated number of workers covered
1975-79 (inc)	2619	584, 438
1980-89 (inc)	7112	1, 185, 184
1990-99 (inc)	9946	889, 705
2000	845	98, 007
2001	1, 029	139, 587
2002	1, 647	235, 072
2003	1, 890	197, 359
2004	1, 806	149, 240
2005	1, 545	117, 345
Total	28, 439	3, 595, 937

Source: Division of Trade Adjustment Assistance Management Information System (DTAA MIS)

In terms of petitions to the scheme itself, the number of certifications – and hence the likelihood of workers successfully receiving funding – tends to vary year in year out, from a low of 44 percent in 2001 to a high of 69 percent in 2002. During the five-year period 2001-05, the average rate of petitions to certifications is 57 percent. During this period six industrial sectors stand out as the most likely recipients of TAA support: apparel, electronic and other electrical equipment, textile mill products, primary metal industries, fabricated metals, and industrial and commercial machinery and computer equipment.

In terms of the key characteristics and outcomes of certifications, data appear to be rather limited and are mainly confined to the most recent fiscal year. During the period Oct 1 2004-Sep 30, 2005, 85 percent of participants received some form of training, 70 percent of which completed a training period. In total, the average length of training was running at about 58 weeks. Just over 10 percent of participants were engaged in remedial training. More broadly, of the 117, 345 workers covered during this period, 70 percent had re-entered employment and 76 percent had taken a wage replacement. Retained employment was running at 91 percent during this period. A more detailed investigation by the GAO (2006b) of five large plant closures found that, on average, it took dislocated workers seven months to find a new job at a replacement wage of 80 per cent. There is also some debate over the wage levels of those accepting new employment. The Department for labour sets a target wage replacement of 80 percent, but a number of studies suggest that many workers accept a lower wage than this. Research by Jacobs et al (1993) found that high tenure dislocated workers suffer long-term earnings losses averaging 25 percent.

In terms of the characteristics of participants there was an even gender balance (48 percent males, 50 percent female and 2 percent unreported). Participating workers were most likely to fall within the age range 30-55 (this covered 71 percent), with 18 percent above 55. Typically, such workers have lower levels of education than the US workforce as a whole (majority are high school graduate or below). In some cases low levels of education and poor English language proficiency made training support under the TAA difficult – see for the example the GAO (2004) case study of El Paso, Texas. The recent introduction of time for remedial training under the TAA can be seen as a response to this.

Table 8.2 details the expenditures and recipients on the programme during the fiscal years 1999-2003. The figures show that the total amounts allocated to training during the period more than doubled. The 2002 Act doubled the amounts available to training and these figures can be seen in relation to the debate that took place prior to the Act that not enough was being invested in training (see Froning, 2001).

A series of performance goals are set for the TAA that change slightly on an annual basis. The targets for 2006 are set at: earnings change, 80 per cent; re-employment rate, 70 per cent; retention rate, 85 percent. These targets are slightly lower than in previous years, when they were not met, for example 90 per cent for wage replacement between '02-04. These goals, as noted below, have been an issue of some debate. As the Government Accountability Office has noted in a series of reports, the goals set by the Department for Labour are rarely all met in a single year. More significant, is the concern expressed that the overall process for monitoring and evaluating the effectiveness of the programme is poor.

Table 8.2 Benefit Recipients and expenditures, fiscal years 1999-2003

	1999	2000	2001	2002	2003
Extended income support					
- Payments	\$213.1	\$257.6	\$260.4	\$228.6	\$326.9
- New Recipients	37, 540	34, 965	34, 690	42, 362	47, 992
Workers entering training	32, 587	25, 258	30, 340	45, 771	47, 239
Training related costs	\$97.3	\$106.7	\$99.0	\$145.0	\$191.4
Job search allowance					
- Payments	\$0.1	\$0.1	\$0.1	\$0.1	\$0.2
- Recipients	314	371	261	2,126	433
Relocation Allowance					
- Payments	\$1.0	\$1.2	\$0.9	\$1.0	\$1.7
- New Recipients	772	757	407	453	766

Note: All dollars in millions. Totals entering training are estimates and are likely to be lower than the number actually taking up training.

Source: Department of Labour. Taken from GAO (2004: 58).

8.5 Assessment and lessons learnt

The utility and effectiveness of the TAA has been subject to much debate. Writing in 2001, Froning argued that the scheme was ‘flawed’ and should be scrapped. For her, the number of trade-related job losses was small compared to losses for other reasons (including labour disputes) and there was, accordingly, no justification for the scheme. Much of her argument, however, seemed to rest on the extent to which the TAA scheme acted a *disincentive* for dislocated workers to find work – i.e. income support does not provide an incentive to job search. Such an argument rests on a very specific set of economic assumptions. Thus, whilst other commentators are critical of the scheme, and concur with many of Froning’s more practical points of critique, they are more supportive of the underlying rationale for a programme that supports workers in trade-affected industrial locations. Such workers are considered to find themselves in a more disadvantaged position when it comes to finding alternative employment. For example, academic studies have found that workers from industries with high tariffs, high unemployment rates, and low wages are more likely to be approved for trade adjustment assistance. Similarly, industries with a rising import share were more likely to have demographic characteristics (i.e. Blue collar and women workers) associated with labour market adjustment difficulties. This would support therefore the focus of the TAA on import related difficulties.

Nonetheless, some common points of critical assessment have been identified by a range of policy commentators and state-related agencies. The most comprehensive of these are the detailed audit studies produced by the Government Accountability Office. The following points can be identified as being of particular importance.

- *Focus of expenditure:* The TAA provides dislocated workers with income support (once the very basic provisions of Unemployment Insurance have been used), training support and a variety of job search services. One consistent point of criticism has been the far larger amounts of expenditure devoted to income support than training, as table 8.2 details. Expenditure on job search is virtually negligible. It is this emphasis on income support that leads Froning (2001) to argue that the TAA is nothing more than a 'compensation procedure' rather than an effective system for fast support for new job placement for dislocated workers. This problem is exacerbated by the fact that many workers can obtain waivers from receiving training – the number of waivers (which only applies for the first 26 weeks, after this they must be enrolled in training) has also increased significantly in relation to the eligibility criteria for receiving health benefits. Supporters argue that workers would not undertake any form of training without income support, as this is the only way they can support their families whilst retooling for jobs in new occupations or sectors. The justification for this is sound. More problematic, historically, was the differential periods available for income support and training, which meant that workers would often pull out of a longer-term training programme once income support ended. This anomaly was rectified in the 2002 Act. As noted above, this Act also increased the overall financial resources available for the support of training. The usage of job search facilities remains low, but levels attributed to the TAA may also be low due to recording issues and linkages with other support programmes under the Workforce Investment Act.
- *Funding Training:* Whilst the resources available to support training have increased substantially, there remain a number of key implementation problems when it comes to supporting dislocated workers. First, a significant number of states reported to the GAO that the financial provisions for training were too low. In most cases, states are supplementing their TAA support with resources from other government funds available under the WIA. In some cases, however, the shortfall is so great that workers have been held back from receiving training, and have been issued with waivers until the state can afford to fund training. In some cases financial caps have been put on the costs of training provision. The obvious consequence of this is to lower the quality of overall provision accessible to dislocated workers.
- *Administrative burdens and consequences:* Following criticism of the time it took to process petitions for assistance under the TAA the 2002 Act set a target notification period of 40 days. As a result the average petition time has decreased significantly, from an average of 107 days in fiscal year 2002 to 38 days in fiscal year 2003. This is clearly of benefit to the dislocated worker because the sooner they are able to access support services available to them the better. However, this efficiency improvement has led to some unintended consequences that have actually disadvantaged workers (GAO, 2004). Workers are expected to have enrolled in training within eight weeks of having a petition certified. If they do not, then they become ineligible to receive extended income support benefits.
- There are a number of issues here with regards to the administrative burdens. First, it has been suggested that workers may need more time to acclimatise the shock of having lost their jobs, or may just simply not report to the one-stop centre within the tight time period. Second, in administrative terms, as the GAO (2004:16) reports, 'officials from the majority of states reported that as a result of the training enrolment deadline, some

workers might not be enrolling in the most appropriate training because less time is available to assess workers' training needs. In order to meet the training enrolment deadline, officials may feel pressured to assess workers more quickly...some TAA program participants are not able to carefully select training programs because of rushed assessments'. Third, there may be delays at the state level after the TAA petition has been certified, most significantly because companies are then supposed to provide the states with lists of affected workers. Sometime companies are reluctant to do this, particularly in relation to disclosing information about their suppliers with regard to lists of secondary workers. The overall consequences for workers' affected are two-fold, either they are rushed into training that may not be appropriate or the overall time available for training is diminished. Thus, even though many states issue training waivers to ensure that participants can access extended income support the knock on effect of this is to reduce the training period available – a two-year college degree programme does not, for example, then become a possibility.

- *Co-ordinated responses:* The one-stop centres have an important local role to play in responding to dislocations and the administration of TAA assistance. Evidence suggests, however, that where there are large layoffs – reports give cases of above 400 workers (GAO, 2004b) – there are huge administrative burdens and costs and states often find it hard to cope. This causes further delays to those already outlined above. States have responded to this not through the specific provisions of the TAA but a variety of other funds available under the WIA. This has allowed, for example, the setting up of centres with dedicated case workers in plants that have recently closed (see GAO, 2004b). This is a key lesson to be learnt for the proposed EGF. First, the local administrative burdens of large scale job loss will be high. Second, the dovetailing of different programs of financial assistance and different mechanisms of support will be critical in ensuring speedy responses and overall effectiveness.
- *Embedding responses within broader strategies for economic adjustment:* Studies suggest that, whilst the support provided by the TAA is of value to dislocated workers, it also needs to be considered in relation to broader strategies of economic regeneration. The value of training and skills upgrading is much reduced where workers are not able to use their newly acquired skills to find relevant employment, or where there is a mismatch between skills supplied and the local skills demand of employers. For example, in the case of El Paso, which has the distinction of experiencing the highest number of (NAFTA) TAA job losses in the US, the apparel industry used to dominate the local economy (GAO, 2001). Workers displaced from one company could move relatively seamlessly to similar producers. This is no longer the case, as the apparel industry has experienced terminal decline. The challenges in such a case are not only to re-equip workers with the skills needed for new providers of employment, but to encourage new business to establish in the region. Broader economic adjustment strategies to diversify economies are therefore important (see also Kochan, 2006). The connection between TAA funds and other sources of economic adjustment financial support are again crucial here.

- *Tracking, monitoring and evaluation:* The TAA has been roundly criticised for its poor approach to monitoring and evaluation. The GAO reports take a strong line on this and argue that it the overall effectiveness of the TAA cannot be assessed on current indicators. These reports suggest that the performance outcome data used and the goals set by the Department for Labour are of little value to policy makers when it comes to assessing the effectiveness of the programme. The 2002 Act sought to respond to this by strengthening the reporting procedures at state level, primarily through monitoring (unemployment insurance) wage records. Evidence suggests that this approach, whilst an improvement in historical terms, has far from resolved the problem. For example, at ground level states take different approaches to the way in which information is recorded, some have sophisticated electronic tools, some use paper-based reporting. Moreover, it is not possible to track a worker that finds employment in a state different to the one in which they were dislocated. There is also no systematic monitoring tool to record the success of training provision – no records are kept of whether training was completed or not; attendance records are not filled; certificates are not recorded; no reports are taken from training providers etc. For some states this problem is due to the lack of funds available under TAA for administrative purposes, which hinders their ability to ‘ensure the quality of the TAA performance data they collect and maintain’. Thus, whilst the GAO reports are generally supportive of the benefits of the TAA programme, they are damning on this issue: ‘four years after the passage of the reforms (i.e. the 2002 Act), we still do not know whether the program’s achieving what lawmakers intended’ (GAO, 2006: 40). The GAO advocated, in a number of reports, a formal impact assessment of the TAA and notes that this needs to go beyond headline performance measures: ‘whilst outcomes measures are an important component of program management in that they assess whether a participant is achieving an intended outcomes – such as obtaining employment – they cannot, by themselves, measure whether the outcome is a direct result of program participation. Other influences, such as the condition of the local economy, may affect an individual’s ability to find a job as much or more than participation in an employment and training program. In order to determine whether participant outcomes are the effects of a program, rather than of other factors, it is necessary to conduct an impact evaluation’ (GAO, 2004: 45).
- It was in response to widespread criticism of its monitoring and evaluation of the TAA that the Department of Labor’s research and evaluation programme established a new review of the TAA. The previous one had been conducted in 1993 and was considered very out of date and methodologically poor. The current evaluation is intended to generate information that will serve multiple purposes and aid in the development of 1) administrative guidance, 2) technical assistance, and 3) legislation and budgetary proposals prior to expiration of the Act in 2007. It will include a process analysis focusing on activities at the state and local level and non experimental net impact study. The evaluation began in January 2004 and will be conducted over 5 years, the final report to be produced in 2009. This six-year study of the TAA program will include 1) an immediate process study of early implementation of recent programmatic reforms, 2) a longer-term process study looking at participant characteristics, outcomes, program practices, and management issues, and 3) a quasi-experimental impact analysis using a matched comparison group. It is also clear that the detailed investigations of the Government Accountability Office, that include locally based case studies, also have much value.

8.6 Further information

Datasets of petitions to the TAA can be found at www.ire.org. There is a charge for this information. The details of the datasets are outlined below.

- The Trade Act programs, Trade Adjustment Assistance (TAA) and Alternative Trade Adjustment Assistance (ATAA), assist individuals who have become unemployed as a result of increased imports from, or shifts in production to, foreign countries. The TAA database includes records of petitions for assistance filed by workers, companies and unions. The records, obtained from the Department of Labor, include all petitions, accepted or denied. The NAFTA database contains similar data for a now-defunct assistance program specifically for workers affected by the North American Free Trade Agreement.
- The Trade Act Participant Report (TAPR) table shows demographic information about the workers who signed up for these programs after a petition was approved for their former workplace. The goal of the Trade Act programs is to help trade-affected workers return to suitable employment as quickly as possible. To facilitate this goal, TAA certified workers may access a menu of services that include income support, relocation allowances, job search allowances, and a health coverage tax credit. TAA participants that require retraining in order to obtain suitable employment may receive occupational training. In addition, the ATAA program for older workers provides an alternative to the benefits offered under the regular TAA program. Participation in ATAA allows older workers, for whom retraining may not be suitable, to accept reemployment at a lower wage and receive a wage subsidy.

8.7 Conclusion

The experience of the TAA offers some important lessons for the effective operation of the EGF. This Appendix has highlighted in particular: the need for resources to be devoted towards retraining activities; the difficulties of establishing reasonable and realistic enrollment deadlines for accessing support; the crucial importance of coordinated action between different state agencies and the need to dovetail financial assistance and different mechanisms of support; the desirability of embedding responses within broader strategies for economic adjustment; and the need for effective monitoring and measurement of the actions funded by the TAA and of the extent to which these actions facilitate the reintegration of workers into the labour market. The experience of the TAA in each of these areas provides some valuable lessons which should be used to inform the establishment and operation of the EGF.

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