



**“A Better Globalisation Fund”**  
**By Etienne Wasmer and Jakob von Weizsäcker**

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Bruegel published **Bruegel Policy Brief 2007/01 “A Better Globalisation Fund”** at a press briefing on Wednesday, February 28. The brief calls for the European Globalisation Adjustment Fund (EGF) to avoid becoming a political gimmick by establishing sound precedents, strengthening its eligibility rules and building-in rigorous evaluation of its programmes.

Public opinion in France, Germany and the US is in favour of keeping existing trade barriers, even if this hampers economic growth. Clearly, the large net economic gains from global economic integration are not sufficient to convince those who lose their job in the process and the many more who feel at risk. The brief details that specialised labour does indeed have a lot to lose from displacement.

The recently adopted European Globalisation Adjustment Fund (EGF) is an EU response to this challenge. It is to spend up to €500m annually on active labour market policies in Member States targeting workers affected by trade-induced layoffs. However, sharing the gains of globalisation with the losers is traditionally regarded as a national responsibility. Is EU engagement in this area really justified?

The brief argues that it is – in principle. The economic case for a European globalisation fund is based on the observation that trade policy has been delegated to the European level. In practice, however, the brief argues that the rules of the EGF leave too much room for discretion, exposing it to wasteful political posturing and lobbying by countries and sectors.

Instead, governments that open up to trade and trade-displaced workers need transparent and reliable assistance. The brief proposes that the rules of the EGF be amended to achieve greater transparency and visibility by concentrating expenditure on just two active labour market programmes: wage insurance and mobility allowance.

Wage insurance could offer workers whose pay was cut after displacement a top-up for up to two years amounting to half the difference between the old and the new wage. The mobility allowance could offer those moving for a new job a lump-sum allowance of two months’ gross pay in the previous job and four months’ pay for cross-border moves. Both should be subjected to a systematic and scientific evaluation to decide on their extension when the EGF expires in 2013.

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The full policy brief can be downloaded by clicking on this [link](#).

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