

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the pharmaceutical sector in Sweden

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the pharmaceutical sector in Sweden.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by [Council Regulation No 1927/2006](#) to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The [Interinstitutional Agreement of 17 May 2006 on budgetary discipline](#) allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The Commission services have carried out a thorough examination of the application submitted by Sweden to mobilise the EGF. The main elements of the assessment are as follows:

Sweden: application EGF/2011/015 SE/AstraZeneca: on 23 December 2011, Sweden submitted application EGF/2011/015 SE/AstraZeneca for a financial contribution from the EGF, following redundancies in AstraZeneca in Sweden. The application was supplemented by additional information up to 16 April 2012.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Sweden argues that the pharmaceutical sector is increasingly affected by globalisation. Many companies are in a state of transition; reorganisation, consolidation, mergers and acquisitions are being considered in order to maintain growth centres. The industry is increasingly seeking synergies to hold down the increasing costs of research and development (R&D) activities.

Global investments and biotechnological research are on the increase and new competitors can be found in China, Brazil and India. Prospects for R&D funding vary by region and most Asian countries maintaining strong financial commitments to R&D : about 70 % of questioned pharmaceutical companies are likely to outsource manufacturing to Asia. Those markets also demand that the drugs are tested on the local population, thus the presence of R&D in Asian markets is growing.

The European companies must adapt their production to this situation. AstraZeneca (which had three R&D centres in Sweden) followed the trend and adopted a new R&D strategy in 2010. This included the necessity to focus on fewer disease areas, closures of sites (including that in Lund and Umeå) and significantly greater utilisation of external resources through outsourcing. Following the global trends, AstraZeneca also increased R&D investments in China and Russia.

Sweden submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers. The

application cites 543 redundancies in AstraZeneca during the four-month reference period from 15 June 2011 to 15 October 2011. A further 444 redundancies (987 in total) occurred before and after the reference period and are related to the same collective redundancy procedure.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

On the basis of the application from Sweden, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 4 325 854**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above, to be allocated under heading 1a of the financial framework.

The proposed amount of financial contribution will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal dialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006. Appropriations from the EGF budget line will be used to cover the amount of EUR 4 325 854 needed for the present application.