Mobilisation of the European Globalisation Adjustment Fund: redundancies in IT services in Italy

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in IT services in Italy.

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 Italy to mobilise the EGF. The main elements of the assessment are as follows:

Italy: application EGF/2011/016 IT/Agile: on 30 December 2011, Italy submitted application EGF/2011/016 IT/Agile for a financial contribution from the EGF, following redundancies in Agile S.r.l, an entreprise operating in the Information and Communications Technology (ICT) sector in Italy. The application was supplemented by additional information up to 2 October 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Italy argues that according to available data, the financial crisis, in particular during the 2008/2009 period. While 2009 marked the reversal of the trend with a negative growth of 2.4%. This downward trend continued in 2010 (-1%). The Italian ICT sector followed a similar trend as the EU as a whole. However the crisis had a major impact on the sector and the negative growth reached -4.2% in 2009 and -2.5% in 2010 compared with the relevant previous years.

The strong decline of the ITC sector in Italy hit Agile S.r.l., an Italian IT services provider, particularly hard. The effects of the global financial and economic crisis occurred when Agile was changing its commercial strategy by moving from offering call center services at local level to offering integrated IT services at multiregional level. In a context of downturn the enterprise’s efforts and the necessary investment proved to be unequal to achieving Agile’s goals of growth, resulting in heavy losses and eventually in insolvency with the consequence of dismissals.

Italy 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 1 257 redundancies in Agile S.r.l. during the reference period from 22 September 2011 to 22 December 2011.

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 Italy, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 3 689 474**, representing 65% of the total cost.

IMPACT ASSESSMENT: not applicable.

FINANCIAL IMPLICATION: 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 of EUR 3 689 474, 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 trialogue 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 trialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2013 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 needed for the present application.