Mobilisation of the European Globalisation Adjustment Fund: redundancies in the ICT sector in Italy

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the ICT sector 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: EGF/2011/025 IT: on 30 December 2011, Italy submitted application EGF/2011/025 IT/Lombardia for a financial contribution from the EGF, following redundancies in two enterprises operating in the NACE Revision 2 Division 26 ('Manufacture of computer, electronic and optical products') in the NUTS II region of Lombardia (ITC4) in Italy. The application was supplemented by additional information up to 12 March 2013.

In order to establish the link between the redundancies and the global financial and economic crisis, Italy argues that the decreased ICT demand and investment by both consumers and enterprises caused by the crisis contributed significantly to the slow-down in the Italian ICT and electronic components sector (Nace 26) from 2009 onwards. the Italian ICT sector has been suffering from strong competition from low-cost countries over the past decade, and the need to reorganise the sector because of the rapid emergence of new technologies, such as cloud computing, various types of e-services, social networks, etc., has been recognised as a challenge for some years. All these developments have led to the downsizing of ICT personnel in Italian enterprises in the years from 2009 onwards.

The strong decline of the ICT sector in Italy as a result of the crisis hit also the two enterprises which are the object of this proposal: Anovo Italia S.p.A. (Varese province) and Jabil CM S.r.l. (Milano province). Their already difficult situation was further exacerbated, and their conversion and re-organisation efforts undertaken in the past years failed, leading eventually to their closure and the dismissal of the workers.

In its assessment on the application EGF/2011/016 IT Agile (Nace 62), the Commission has already stated the impact of the economic and financial crisis on the enterprises operating in the ICT sector. These arguments continue to be valid.

Italy submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927 /2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level in a Member State. The application cites 529 redundancies in 2 enterprises operating in the NACE Revision 2 Division

26 in the NUTS II region of Lombardia (ITC4) during the nine-month reference period from 20 March 2011 to 20 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 (including expenditure to implement EGF) is **EUR 1 164 930**, 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 1 164 930, 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 allocated to the EGF budget line in the 2013 budget will be used to cover the amount of EUR 1 164 930 needed for the present application.