Mobilisation of the European Globalisation Adjustment Fund: redundancies in the mobile phone sector in Finland

2013/2264(BUD) - 16/10/2013 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the mobile phone sector in Finland.

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

Finland: EGF/2013/001 FI/Nokia: on 1 February 2013, Finland submitted application EGF/2013/001 FI /Nokia for a financial contribution from the EGF, following redundancies in Nokia plc, Nokia Siemens Networks and 30 of its subcontractors in Finland. The application was supplemented by additional information up to 21 August 2013.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Finland argues that that the current difficulties of Nokia, Nokia Siemens Networks, almost all subcontractors and the affected regions go back to February 2011. At that time Nokia announced a significant change in the company's strategy and launched an extensive cooperation with Microsoft with regard to the use of Microsoft Windows Phone as its primary smartphone operating system, while keeping Nokia's own Symbian operating system as a software platform in lower priced phones until the end of 2016. The demand for Symbian phones has meanwhile dropped considerably, and the development and maintenance operations based on the Symbian system are therefore being discontinued.

The intention was to keep the Nokia Salo plant operational while reducing the company's personnel by some 12 % in offices all around the world. This led to the closure of the plant in Cluj, Romania (September 2011), for which another EGF application was presented. Nokia Siemens Networks also announced major redundancies (November 2011). On 22 March 2012, redundancies in Nokia Salo were announced, numbering 1 000 workers out of a total of 1 700.

Finland submitted application EGF/2012/006 FI/Nokia Salo in support of these workers, adding that further redundancies were already planned, and a follow-up application from Finland for the next wave of redundancies from Nokia itself and its subcontractors would be prepared.

This is the follow-up application, in support of the remaining Nokia Salo workers, Nokia workers in other parts of the country (mainly Espoo, Tampere and Oulu) and the resulting redundancies in Nokia Siemens Networks and 30 other subcontractors in various regions of Finland. These closures also led to job losses in support functions, with the greatest impact on Espoo.

Finland 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 4 509 redundancies in Nokia plc, its subsidiary Nokia Siemens Networks and other suppliers and subcontractors, of which 2 863 from 1 August 2012 to 30 November 2012.

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 Finland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 9 810 000**, representing 50% 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.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trilogue 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 trilogue 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.