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

2015/2298(BUD) - 06/11/2015 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in order to assist Finland in dealing with redundancies in its information technology (ICT) sector.

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

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF is not to exceed a maximum annual amount of **EUR 150 million** (2011 prices).

The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006.

In this context, the Commission has assessed the application for the mobilisation of the EGF in order to assist Finland, and has concluded as follows:

Finland: EGF/2015/005 FI/Computer Programming: in June 2015, Finland submitted an application EGF/2015/005 FI/Computer programming for a financial contribution from the EGF, following redundancies in the economic sector classified under the NACE Revision 2 Division 62 (Computer programming, consultancy and related activities) in the NUTS3 level 2 regions of Länsi-Suomi (FI19), Helsinki-Uusimaa (FI1B), Etelä-Suomi (FI1C) and Pohjois- ja Itä-Suomi (FI1D) in Finland. These regions, taken together, comprise all of Finland with the exception of the island of Åland.

Finland submitted its application within the **12 weeks** set out in the Regulation. The deadline within which the Commission should finalise its assessment of the application's compliance with the conditions for providing a financial contribution expires on 13 November 2015.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Finland argues that, in recent years, the distribution of ICT sector employment between the EU and other economies has developed to the detriment of the EU. While the volume of this domain has been increasing globally, it has dropped in Europe as businesses and services are moved to China, India, Taiwan and other non-European destinations. In 2014 alone, the personnel of Finnish ICT companies was reduced by 3 per cent or 1 500 people.

These effects were particularly felt in Finland, where the entire Finnish electronics industry was severely affected, culminating in Nokia's announcement in 2011 of large-scale redundancies.

The software business is a global business, and software products are purchased globally from the most cost-effective sources. An important feature of the global software industry is that it constantly requires a new, educated workforce, as the life cycle of products and related software solutions is very short compared to the life cycle of its personnel. While in 2008, the technology industry employed a total of 326 000 people in Finland, the number of people employed by such companies in 2014 was 276 000.

To date, the Computer programming, consultancy and related activities sector has been the subject of two EGF applications, one based on globalisation and the other on the economic and financial crisis (EGF/2011/016/Agile and the current application).

Eligibility of the application: Finland submitted the application under the intervention criteria of Article 4 (1)(b) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of nine months in enterprises operating in the same economic sector defined at NACE Revision 2 Division and located in one region or two contiguous regions defined at NUTS 2 level in a Member State.

The reference period for the application runs from 30 July 2014 to 30 April 2015.

The redundancies during the reference period have been calculated as follows:

- 1 218 from the date of the employer's individual notice to lay off or to terminate the contract of employment of the worker;
- 385 from the date of the de facto termination of the contract of employment or its expiry.

Accordingly, the total number of eligible beneficiaries is 1 603.

With regard to the application, it is proposed that the EGF contribute the amount of **EUR 2 623 200.**

BUDGETARY IMPLICATIONS: having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 2 623 200, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the amount of EUR 442 293.

Furthermore, at the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date on which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.